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INDUSTRIAL EFFICIENCY AND SOCIAL ECONOMY

BY
NASSAU W. SENIOR

ORIGINAL MSS. ARRANGED AND EDITED
BY
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VOLUME II



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PART VI
VALUE, COST, AND PRICE

CHAPTER I

THE CAUSES OF VALUE: SCARCITY AND UTILITY

1. Exchange and Value. 2. Essentials of Value: Scarcity, Utility, and Transferability. 3. Specific and General Value: Intrinsic and Extrinsic Causes. 4. Sources of Value Depending on Scarcity: Love of Distinction and of Variety, Admiration of Achievement, and Cost of Production.

1. Exchange and Value. Of the two great branches of the science of political economy, [Production and Exchange, the former has already been considered. In the remainder of this treatise our attention will be devoted principally to the latter,] namely, to the laws which regulate *exchange*.

I use this word in rather a more extended sense than is usually attributed to it. I include under it every mode in which wealth can be distributed except violence,¹ fraud, donation, occupancy or succession. I consider for instance as matters of exchange the taxes which a government receives from its subjects. It is true that they are seldom ascertained by contract, and still more seldom are equitably assessed, and that the subject has not the right to repudiate the arrangement, and to refuse to pay taxes on the ground that he does not require protection. Still the transaction, though generally involuntary and often inequitable, is an exchange and a beneficial exchange. The protection² afforded by the most rapacious government is worth more than it costs. So the relations between a master and his servant, between a government and its officers, between a teacher and his pupils are all based on an exchange in which services are given and salary or wages received.

Exchange depends on value. A thing which has no value is not a matter of exchange, and those which have value are exchanged,³ when the exchange is voluntary, according to the estimate formed by the parties to the exchange of their respective value. It is necessary therefore to define more accurately than I have done as yet the word value.

In ordinary language, and, I think, in that of economists when they are not perplexed by their own theories, *value signifies the quality which fits a thing to be given and received in exchange*. It

bears the relation to wealth which an attribute does to a substance. All wealth has value, and whatever is valuable is wealth. Sometimes indeed it is used metaphorically, to signify *utility*. I am not sure that it would be bad English to say that the setting apart the seventh day for rest is a valuable institution. Ricardo used it to signify *cost* and by this one innovation covered his great work with a cloud of obscurity. These two uses of the word I reject. I shall never employ it except in its popular sense.* ²²⁰

2. Essentials of Value: Scarcity, Utility, and Transferability.

The essentials of value must of course be the same as the essentials of wealth,⁴ that is to say transferableness, desirableness, and limitation of supply. *Transferableness* perhaps is rather a condition than a constituent of value. Nothing can have value that is not to some extent transferable. High birth is desirable and rare, but as it is not transferable directly or indirectly it is not wealth, or an article of value. Other personal qualities are indirectly transferable. Though neither an advocate, a singer, nor a painter can sell his talents, he can and does sell the speech, the song, or the picture which is their product. Those talents therefore are wealth to him, and if he contracts with another person to employ them during a given period for the benefit of that person, they become during that period part of the wealth of the hirer. Jenny Lind has received from an American named Barnham £30,000 for which she has contracted, to sing for his benefit during the next year and a half.⁵ Her voice and histrionic powers therefore during the next year and a half make a part of his wealth—probably the largest part of it.

A thing is desirable if it is supposed that by its possession or use pain can be averted or pleasure produced—that is to say, if it is supposed to possess utility. I say *supposed* to possess, because it is on the supposition, not on the reality of its utility that the desirableness of a commodity or service depends. A stone containing in its center a diamond would be valueless if its contents were unsuspected. Many a physician and many a lawyer gains fees by giving mischievous advice. A false sovereign, while undetected, is as much desired as a real one. Three hundred years ago relics were supposed to cure disease and avert calamity. Their value therefore was enormous. A friend of mine bought a highly ornamented ancient shrine and sent it to a London cabinetmaker to be put in order. Some time afterwards the cabinetmaker appeared at his house one hundred miles off in the country bearing a sealed packet. He had found it in a secret drawer in the center of the

shrine, which appeared to have been constructed for its custody. As it was probable that the contents were of great value he had not thought fit to open it, except in the owner's presence. It was found to contain some bones of a martyr, authenticated by a papal certificate. The diamond is now the most desirable substance in nature: there is nothing else for which one ounce will exchange for 10,000 ounces of gold. One thousand years hence diamonds may be used merely as cutting instruments and not be worth their weight in silver.

The word *demand* is sometimes used to express desirableness—as when it is said that commodities are valuable directly according to the demand for them, and inversely according to the supply of them. Used in this sense the word demand ⁶ is a convenient term, and I shall so employ it. And in future I shall substitute for the word desirableness, not as a more accurate but as a less awkward expression, the word utility,⁷ meaning by it, *the supposed power in any object to avert pain or to give pleasure in any way, as an end or as a means*. This is rather a wider sense than the popular use of the word, which confines it to the quality which enables a thing to avert pain or to give pleasure indirectly as a means—as is seen in the common distinction between what is useful and what is merely ornamental.

I now come to the third of the constituents of value, *limitation of supply*. By supply I mean, when speaking of things of which the quantity is incapable of increase, the quantity *actually* in the market; when speaking of those which are capable of increase, the quantity *potentially* in the market. And in the latter case I mean by limitation of supply ⁸ the force of the obstacles to a further supply. The only obstacle to the supply either of hats or of coats is the labor of making them. It takes about four times as much labor to make a coat as to make a hat. I consider, therefore, coats as four times more limited in supply than hats, though there are probably existing in the world five times as many coats as hats. Some things are limited in supply in some places and unlimited in others. Pure air is limited in London. The few houses therefore that enjoy it, such as those surrounding the parks, are peculiarly valuable. It is unlimited in the country. A country house, therefore, derives no value from an airiness which would quadruple that of a London house.* ²²¹

3. Specific and General Value: Intrinsic and Extrinsic Causes. The value of any object may be divided into its specific and its

general value. Its *specific value* consists of the amount of any other given object for which a given amount of it currently exchanges. Its *general value* is the aggregate for all its specific values: it is the amount which it will command in exchange for all the other objects of exchange. One or more of the different specific values of an object can generally be ascertained. Throughout the world, except perhaps in California, an ounce of gold will exchange for sixteen ounces of silver. Its general value cannot be ascertained, since it depends on the amount which it will command in exchange of many millions of different commodities and services. Many of its specific values may remain unaltered for long periods. The relative value of silver and gold, that is, the specific value of each in the other, has not varied ten per cent during the last two hundred years. But as many of them change almost from hour to hour, the general value of a thing cannot remain perfectly unaltered for a day. Its average general value, however, may vary little during an indefinite period. This is obvious when we recollect that the causes of value are intrinsic or extrinsic.

The *intrinsic causes* of the value of anything are those which create its utility and those which limit its quantity. The *extrinsic causes* are those which create the utility or limit the quantity of the things for which it is exchanged. While the intrinsic causes which give a thing value remain unaltered its value is said to continue *steady*. Not that its general value is not constantly varying,⁹ but because those variations probably about compensate one another. Little variation having taken place during the last twenty years in the circumstances which constitute the utility or limit the supply of silver, its general value has remained steady, though its specific values in the great bulk of articles have been constantly rising and falling. When we hear of a general rise or a general fall in the value of all articles, some one article is left out and tacitly assumed as the thing with respect to which they have all risen or fallen. This is generally money—sometimes labor. Estimated in money everything, except labor, has fallen ¹⁰ since the peace of 1815: the same quantity of money will purchase more of every commodity. Estimated in labor everything, money included, has fallen since the peace: the same quantity of labor will exchange for more of everything.* ²²²

4. Sources of Value Depending on Scarcity: Love of Distinction and of Variety, Admiration of Achievement, and Cost of Production.
The utility of two things being equal, their comparative value generally

*depends on their comparative limitation of supply. Their supply being equally limited, it generally depends*¹¹ *on their comparative utility.**²²³

Limitation of supply, [however], is the principal constituent of value, utility being mainly dependent on it.*²²⁴ There are a few things which owe almost their whole utility to their limitation of supply. They are expressively called rarities or curiosities. A Queen Ann's farthing, and the celebrated Boccacio are instances. In such matters there is much of accident or caprice. We have thousands of manuscripts which like the Boccacio are unique; that is to say, each differs from every other manuscript of the same author, just as the Boccacio differs from every other printed copy: but the caprice of a few rich amateurs has not selected them as objects of desire and competition.*²²⁵

There are many things besides those which I have called rarities or curiosities, which please nearly in proportion to their scarcity. If we look into the detail of the expenditure of the higher classes, we shall find that one-half, often three-fourths of it is devoted to the *display of wealth*.¹² I do not mean to ostentatious display, but to the display which they think required by their station in the world. The greater part of this expenditure is prompted not by vanity, but by good sense and a feeling of propriety. If a lady were to go into society dressed in cheaper materials than fashion allows she would be thought ambitious of singularity or perhaps guilty of disrespect. Many guests would be rather annoyed than pleased by a simple entertainment. "It was a very good dinner," said Dr. Johnson of one of Cadell's dinners, "but not a dinner to ask a man to." A friend of mine when in Seville, gave a dinner to his Spanish friends. It passed off heavily, and he afterwards found that he had given mortal offense. The dinner was admitted to be excellent, but it was served up in the beautiful and cheap earthenware of the country. "If he had felt," his guests said, "proper respect for us he would have presented nothing to us except on silver or china."

Now wealth can be shown only by the use of things comparatively difficult of acquisition, or, in other words, comparatively limited in supply. Precious stones owe nearly their whole value to this cause. They were invented says Bacon, *ut esset magnarum divitiarum aliquis usus*. I remember a trial in which the question was whether the stones forming a necklace were rubies or Assyrian garnets. If they were rubies, it was worth £1,500; if they were garnets not

£150. Five or six jewelers were examined on each side of whom one-half swore that they were garnets, the other half that they were rubies. There cannot be much difference in the beauty of two species of stones which even jewelers cannot distinguish, though its greater rarity makes one species ten times as valuable as the other.* ²²⁶

Another source of the pleasure given by scarcity is the *love of variety*.¹³ The desire of men for any one class of objects is limited, and diminishes long before that limit is reached. In proportion as a thing is rare the number of those whose wish for it is not satiated is large.* ²²⁷

Another class of objects to which limitation of supply gives their principal utility are works of art. One of our chief æsthetic pleasures is the *perception of difficulty conquered*. This is one of the reasons which makes us despise a wax statue, or a colored print. This is the reason that we detest architectural frauds. The roof of the Cathedral of Milan appears to a stranger to be covered with a bold tracery of stone. The effect is magnificent until he is told that it is painted on stucco. One of the principal sources of his pleasure was his admiration of the power, and his sympathy with the self-devotion of the men who, as he at first supposed, covered with fretted marble those vast and lofty vaults. When he finds that they merely colored them, he ceases to wonder and therefore ceases to be pleased.¹⁴ I believe that there is no one who is not sorry to hear that the dome of St. Paul's is a mere superficies of lead and timber projected from a brick central funnel, or one who, after he has heard this, ventures to compare it with the real stonework of St. Peter's. There are few who can distinguish a first-rate copy from an original picture. Yet no one looks with much delight on anything that he knows to be a copy. The mere commonness of a work of art diminishes its power of pleasing. An engraving which is so popular as to be seen in every print shop becomes uninteresting.* ²²⁸

The principal cause, however, which makes value depend on limitation of supply is the circumstance that the supply of the bulk of commodities is limited only by causes depending on the human will—that is to say, by the amount of labor and abstinence which the producers think fit to dedicate to their production, or, in other words, by the *cost of their production*.* ²²⁹ [The nature of this source of value and the scope of its influence will be considered at length in the next chapter.]

CHAPTER II

REGULATION OF COMPETITIVE PRICES: COST OF PRODUCTION

1. Meaning of "Cost of Production": Maximum and Minimum Costs. 2. Normal Price of Manufactured Goods: Minimum Cost of Production. 3. Normal Price of Raw Materials: Maximum Cost of Production. 4. Analysis of Some Disturbing Factors: Houses, Crops, and Fixed Capital.

1. Meaning of "Cost of Production": Maximum and Minimum Costs. On the principle which I laid down [in the second Part of this treatise], that *every man strives to obtain the largest amount of wealth at the smallest amount of sacrifice*, no man, when producing for the purpose of exchange, would devote a given amount of labor and abstinence to the production of a given commodity, if by the devoting them to the production of another he could obtain a more valuable result. It follows that where things are produced by means of instruments or materials ¹⁵ equally accessible to all men, things produced at an equal sacrifice of labor and abstinence, or, in other words, at an equal cost of production will generally be of equal value. If they are not, one of the producers has been less profitably employed than the other. If a given amount of labor and abstinence will produce one hundred coats, and an equal amount will produce four hundred hats, the production either of coats or of hats must be suspended unless they exchange in the proportion of four hats to one coat.

This is the source of the well-known doctrine that the value of things produced under circumstances of *equal productive means in the producers*, or, to use a more common expression, under terms of *equal competition*, depends on their cost of production.

To make this perfectly intelligible, however, it is necessary to distinguish two things which are frequently confounded—the cost of production to the producer and the cost of production to the purchaser. The first is the sum of the labor and abstinence which it would cost the producer to repeat his production. The second is the sum of the labor and abstinence which it would cost the purchaser if, instead of buying he were to produce it himself. If the

value of a commodity or service is not found to be equal to the former of these sums, it ceases in time to be produced for sale; for no one will continue to produce what is not worth the sacrifices which it costs him. If the value of a commodity or a service is found to exceed the latter of these sums, some of those who formerly purchased it are tempted to produce it; since by so doing they can obtain it more abundantly or more cheaply.

Between these two costs of production the interval seems sometimes to be enormous. It is on the extent of this interval, as between the actual producer and any given purchaser, that the productiveness of capital depends. I can buy for £10 a watch which it would cost me a thousand pounds to make for myself. But as between the actual producer and a third person who should turn producer in behalf of himself and the rest of the community, the difference of expense may be slight or nothing. Though I could not make for myself a single watch for £1,000, yet if I chose to devote my whole time and capital to the watch trade I probably could produce watches as cheaply as any existing watchmaker. And if watches were to sell for more than their cost of production to the producer, that is to say, if their value were greater than the sum of the labor and abstinence which it cost to produce them, this is what would take place. Persons looking out for employment for their capital and their time would take to the watch trade: the supply of watches would be increased and the price would fall to the cost of production on the part of the producer. On the other hand, if it were found that the value of watches was less than their cost of production to the producer, the watchmaking business would cease to be supplied with fresh capital and fresh capitalists; fewer and fewer watches would be produced, and the supply becoming more limited the price would rise till it reached its normal point of equilibrium, the cost of production to the producer.* 230

2. Normal Price of Manufactured Goods: Minimum Cost of Production. The price of manufactures is governed by their cost of production to the manufacturer who enjoys the greatest advantages. We have seen that as manufacturing capital ¹⁶ increases the cost of production falls. The manufacturer's profit, however, does not depend solely on the difference between the cost at which he produces and the price for which he sells. It depends also on the time which elapses between his advances and their repayment. If we suppose two cotton spinners to have each a fixed capital consisting of a mill and machinery, and a circulating capital con-

sisting of raw cotton, finished goods, and money for the payment of wages and the purchase of materials; and that the one converted his finished goods into money, his money partly into raw cotton and partly into wages, and his raw cotton again into finished goods (or, in the language of trade, *turned over his circulating capital*) once in three months, and the other once in six and a half weeks: it is clear that the one who turned over his circulating capital in the shorter time would get twice as large a profit as the other, though they might both pay the same wages, buy their cotton in the same market and sell their twist to the same purchaser. The most powerful motives, therefore, compel every manufacturer and trader to endeavor to increase the amount of his production and of his sales, and to shorten the interval between them. By doing the first, he hopes to diminish the cost of production; by doing the second, to increase his profit, even if his cost of production should in other respects be unaltered.

The readiest mode by which he can effect these purposes is to lower the price of his finished articles. His rivals in business are forced to do the same under the fear of losing their customers. Those who are subject to any disadvantages as producers—those, for instance, whose works are ill situated, whose machinery is imperfect or who have not capital enough to extend their means of production, find their businesses comparatively, perhaps positively, unprofitable. In the latter case they are gradually forced out of the trade, in the former they continue it at less than the average profit.

In all the businesses which can be carried on in great establishments¹⁷ and with vast capitals there is a constant tendency towards the extinction of the smaller capitalists and the centralization of the production in the hands of the great producers. The initiative is generally taken by some manufacturer of large capital who possesses, or thinks that he possesses, some peculiar advantages of skill, or situation. He lowers his prices, and attracts some of the customers of his rivals in trade. They try to recover themselves by following his example. Every one tries to extend his sales and to lower his cost of production. What is called technically a fighting trade takes place. The smaller and weaker men withdraw, their place is taken by those who can stand the contest. The trade, after having been for some time unprofitable, becomes good. Further improvements take place—at first without any lowering of price. It is then unusually profitable. Fresh capitalists are attracted to it, they endeavor to obtain business by lowering prices;

and there is another interval of contest and low profits to be followed by similar periods first of calm and then of prosperity. I believe that there is no great manufacture in which more sales do not take place below the cost of production (including in the cost of production average remuneration for the abstinence of the capitalists, or, in other words, average profit) than above it.* ²³¹

3. Normal Price of Raw Materials: Maximum Cost of Production. On the other hand, the price of agricultural produce is governed by the cost of production not to the producer who enjoys the greatest, but to him who has the least ¹⁸ advantages. We have seen that, unless when assisted by increased skill, an increase of agricultural produce is obtained only at an increased expense—not merely positive, but proportional: ¹⁹ that if ten men can raise one hundred quarters of corn, eleven men, with the same skill and on the same land, are not likely to raise more than one hundred and nine. And we have seen that as the most productive or the most easily worked, or the best situated, or, at all events, the most eligible land is the first occupied, the reclaiming wild land is not likely to be more profitable than the employing additional capital on that already in use. A farmer therefore has no motive to undersell his neighbor. It is true that by doing so he would be able, like the manufacturer, to increase his sales and his production; but the result instead of diminishing, as it does in the manufacturer's case, the cost of production, would increase it. A publisher by printing 1,000 instead of 500 copies of an octavo probably diminishes the cost of production from 5s. a volume to 4s. A farmer who should attempt to raise 500 quarters of wheat from land which previously produced 250 would probably raise the cost of production from 35s. a quarter to 70s. The same process might make the fortune of the one and ruin the other.

An agriculturist therefore, like every other monopolist ²⁰ who cannot increase his production with equal advantages, never voluntarily lowers his price—he takes the utmost that the purchaser will give him. Any peculiar skill or any peculiar advantages which he may possess show themselves merely in his extra profit.²¹ It must not be supposed, however, that he is free from the chain which binds every producer for the purpose of exchange, the cost of production. He cannot ask a price ²² higher than the cost of production to the consumer.

The condition on which the consumer can become a producer is, either the reclaiming land as yet untilld, or applying additional

capital to the land already in cultivation. On one or both of these conditions land is always to be had. If the price of agricultural produce should become higher than that at which it could be produced on these conditions, some of the consumers turn producers; the quantity brought to market is increased and the price falls. If the previous advance of price was occasioned by the growing demands of a more numerous or a richer population, and if it has not been accompanied by an increase of agricultural skill, the price, though it will fall in consequence of the increased supply, will not fall to the level at which it stood before the last advance. More capital having been applied to the land, without the aid of any other improvement, the cost of production to the consumer has risen. On the other hand, if an agricultural improvement should take place unaccompanied by a proportional increase of population or wealth, the supply being augmented while the demand continued unaltered, or not equally augmented, the price would fall—the least eligible land would be thrown out of cultivation, and the cost of production to the consumer, the cost at which any one could become a producer would fall.

Every article of the same kind which a manufacturer produces is produced at the same cost. Of the 10,000 feet of glass which a great glassmaker turns out every week, every foot costs precisely the same sum. But of the 500 quarters of wheat which a great farmer sends every year to market, some may have been grown on land producing 40 bushels an acre and some on land which with the same labor produced only 20. Some may have cost him 5s. a bushel and some only 2s. 6d. All however, if of equal goodness, sell at the same price. And that price must be sufficient to induce him to grow the corn which cost him 5s. a bushel, or he would cease to grow it, and the supply being diminished the price would rise. As I said before therefore, the price of agricultural produce is governed by the cost of production of that portion which is produced at the greatest expense, while the price of manufactured produce is governed by the cost of production of that portion which is produced at the least expense.

The price of the raw produce which is not raised at home but imported²³ is fixed by the same rules. With respect to this however, so far as the home market is concerned, the importer is the producer and the cost of production is composed of the price at which he buys it, the freight, warehousing and expenses of sale and his profit on this expenditure for the interval between the times at

which it was advanced and the time at which it is repaid. Supposing the demand for wheat and the power of purchasing it in England to be such that good wheat is selling at 52s. 6d. a quarter and that equally good wheat can be bought in Riga for 35s., that the freight and other expenses amount to 15s., and that on an average six months must intervene between the advance of these sums and their repayment, and that the average rate of profit is ten per cent per annum; it would be worth while to import this wheat—since the 52s. 6d. a quarter for which it would sell would precisely repay the 35s. purchase money, 15s. freight and expenses, and 2s. 6d. the ordinary profit on the advance of 50s. for six months. If equally good wheat could be obtained in Odessa for the same price, but the freight and other expenses were 17s. 6d. instead of 15s., that wheat could not be profitably imported, since its cost of production instead of 52s. 6d. would be 55s. a quarter. Supposing however the supply at Odessa, at that price, to be abundant, it would prevent the price in England from rising permanently beyond 55s. per quarter, since 55s. a quarter would be the cost of production to the consumer, the cost at which he could himself turn producer. If the demand in England should be such that it could not be supplied without resorting to Odessa, the price in England of all wheat, Riga wheat included, must have risen to 55s., and then the importation from Odessa would keep it steady at that price.* ²³²

4. Analysis of Some Disturbing Factors: Houses, Crops, and Fixed Capital. But even the things produced under circumstances of equal competition do not all, with equal regularity, conform in value to their cost of production. Those which oscillate at the least distance from it are, of course, those of which the production can be most easily augmented or reduced. In commodities of slow consumption the annual waste and the annual production bear a small proportion to the existing supply. The average duration of a well-constructed building is three or four hundred years. There are some which have lasted for twenty centuries and a few which have lasted for thirty, and show no signs of decay. When the population of a town rapidly increases fresh buildings can seldom be raised quickly enough to receive it. The value of houses may, therefore, for a considerable period exceed the cost of production. When its population diminishes the existing buildings soon exceed its wants. None are built, but those which are there may for centuries keep the supply far above the demand and consequently the value far below the cost of production. A palace might now be

bought in Venice or Vicenza or Brescia at less than one-fourth of what it would cost ²⁴ to build it.

Another class of commodities subject to deviate in value from their cost of production are those of periodical and uncertain supply. Such are crops of every kind. Their variableness in value is increased if they will not keep and still further if they are bulky; since in the first case the superfluity of one year, and in the second the superfluity of one place, cannot supply the deficiency of another. Potatoes are sometimes three or four times as dear in one year as in another, and in one place as in another.

Another disturbing cause is the amount of irremovable capital ²⁵ employed in the production of a commodity or service. In most of our great manufacturing establishments the cost of the fixed capital far exceeds that of the circulating capital. If £100,000 be invested in a great cotton factory it is probable that the buildings and machinery cost £80,000 and that only £20,000 is the circulating capital—consisting of materials, finished goods, and the money kept in hand for the purchase of materials and the payment of wages. If the mill owner can purchase at the beginning of every three months £10,000 worth of raw cotton, and at the expense of £10,000 more work it up into twist, and by the end of the three months sell that twist for £20,500 he is making an annual profit ²⁶ of £2,000. This is a very good profit on £20,000—the amount of his circulating capital, but a very bad profit on £100,000—the amount of his aggregate capital. His twist therefore sells for less than its cost of production. It repays the labor, but not the abstinence of its producer. And yet even on these terms, if he can get no better, he must continue to produce; for his buildings and machinery are valueless for any other purpose. If he were to abandon them and apply to some other trade his movable £20,000, he probably would not find one in which he could make £2,000 a year. So a canal, or a bridge is kept open for traffic as long as the tolls will afford even a trifling surplus beyond the expense of preserving it in repair. Though Waterloo bridge returns only a shadow of a profit to its constructors the public continue to enjoy its services. Many railways are likely to afford similar examples.

A considerable time often passes before the profitableness of a business can be ascertained. During that period its products may sell for above or below their real cost of production. The Equitable Assurance Company professed to divide among its assured all its profits. It adopted tables which after forty years' experience were

found to assume a period of life so much too short, that a surplus capital of ten millions sterling was laid up by the society. During all that time the assured had paid for their policies premiums beyond their value. The society then corrected its tables, and began to divide among the existing and subsequent policyholders this large accumulation. They, on the other hand, received more than the value of their premiums.

In commodities of slow or periodical production not merely the existence but the probability of an alteration in the state of supply influences value. The price of corn falls when the harvest is expected to be abundant, and rises if the crops are unpromising. In every commercial community there are capitalists who make it their business to look out for commodities of which the supply is likely to be deficient, to buy stocks of them, while they are comparatively cheap, and to sell them when they are comparatively dear. By this means they diffuse the deficiency and the increase of price over a longer period, but diminish their intensity, just as the captain of a ship who sees that his water is likely to run short puts his people early on an allowance moderate enough to be continued. In many parts of Ireland where the capital or the security, which such a practice requires, is wanting, every year in the districts in which the potato crop has been unfavorable, a famine is interposed between the exhaustion of one crop and the maturity of another.

This conduct ²⁷ however was created by our ancestors into a crime and punished even within this century [19th] by fine and imprisonment.* ²³³

CHAPTER III

REGULATION OF MONOPOLY PRICES: MAXIMUM PROFIT

1. Introduction: Competitive vs. Monopolistic Conditions. 2. Classification of Monopolies. 3. Summary of the General Laws of Value.

1. Introduction: Competitive vs. Monopolistic Conditions. The value of the things which are incapable of increase has neither a maximum nor a minimum. It depends altogether on the desires and the ability of those to whom they are offered for sale. The most experienced picture dealer probably would be unable to form a guess as to the price which the cartoons would fetch if they were put up for sale to-morrow—still less as to what they would fetch ten years hence.

But we have seen that the value of the things which are produced for the purpose of exchange is mainly governed by their cost of production: that it can never permanently sink below the cost at which their production can be continued, and never can permanently rise beyond the cost at which the purchaser, or some third person could produce them—the first being the cost of production to the producer or vendor, the second the cost of production to the consumer or purchaser. And we have seen that under circumstances of equal competition, or, in other words, where all persons can become producers—and that with equal advantages—the cost of production on the part of the producer or seller and the cost of production on the part of the consumer or purchaser are the same, and that the commodity thus produced sells for its cost of production; or, in other words, at a price equal to the sum of the labor and abstinence which its production requires; or, to use a more familiar expression, at a price equal to the amount of the wages, and profits which must be paid in order to induce the producers to continue their exertions. If we were to inquire why a given sideboard cost forty guineas [or £42], the answer might be, because the upholsterer paid £8 for the mahogany of which it is made, and £31 as wages to the workmen who fashioned it; that the share attributable to the sideboard in the expense of his workshop, warehouse, and

shop was £1 making altogether £40; that these sums were advanced at an average for six months before the sideboard was sold, and that the average rate of profit on his business is ten per cent per annum or five per cent for six months—being an addition of £2 to the previous £40.

If now some means were discovered by which any of these expenses could be materially diminished—if, for instance, by substituting stamping for carving the necessary labor, and consequently the amount of the workmen's wages, could be reduced from £31 to £21, the cost of producing a similar sideboard would fall from forty guineas to thirty. Would the price fall in the same proportion? If the new process were generally known, and could be practiced by every upholsterer, it certainly would. If upholsterers asked forty guineas for things which could be produced for thirty, they would be getting exorbitant profits. New capitalists would enter the trade; in order to acquire custom they would underbid one another, and the price of sideboards would fall to its normal level, the cost of production. But supposing the discoverer of the new process to have protected it by a patent, the cost of production to the producer and the cost of production to the purchaser would instantly separate. The patentee would be able to produce sideboards at an expense ²⁸ of thirty guineas. No one else could produce them for less than forty. The patent sideboards would become the subjects of a monopoly, and their price would be regulated by a set of rules which I shall now proceed to explain.* ²³⁴

2. Classification of Monopolies. Monopolies may be divided into those in which the monopolist has, and those in which he has not, exclusive powers of production; and, as a cross-division, into those in which he can, and those in which he cannot, increase his production. And those in which he can increase his production may again be subdivided into those in which he can do so with equal or even greater advantages, and those in which as he increases his production his advantages gradually diminish. They form therefore five different species.

A. The first and narrowest monopoly is that in which the monopolist is the only producer and he cannot increase his production. In this case the price cannot fall below the cost of production, but it may rise as far above it as the desires and the wealth of the purchasers choose to carry it. There is a little vineyard near Pau of which the wine sells on the spot for twenty-five francs a bottle. It scarcely ever produces more than a single barrel. The proprietor

of the Constantia vineyard has nothing to lose from competition, for no one else can make Constantia wine; and he has nothing to gain by extending consumption, for he cannot make more than he does: so he asks the highest price which he can get.

B. A second and less restricted monopoly is one in which the monopolist is the only producer, but can increase his production with equal or greater advantages. The book trade affords an example. While a book is protected by copyright no person except the possessor of that copyright can produce copies; but by the application of additional labor and abstinence he can multiply them indefinitely: and the more he produces, the less is the proportional expense. Mr. Knight calculates that the *Penny Cyclopædia* could not pay its expenses at a sale of less than 30,000 copies.²⁹

In this case, as in the last there is no cost of production on the part of the consumer. As far as he is concerned the price is limited only by his desires and his wealth. It was in the power of Mr. Macaulay's publisher to charge ten guineas for a copy of the *History*. At that rate he probably would have sold one hundred copies, and supposing them to have cost him about £2 a copy, he would have obtained a profit of above 800 guineas. But the difference between the expense of publishing one hundred copies and five thousand copies was little except the paper and presswork. If one hundred copies cost £200, it is probable that five thousand copies did not cost more than £1,000. By fixing the price at 25s. he may have been able to sell five thousand copies, and thus to obtain a profit of above £5,000 instead of 800 guineas. In America there is no English copyright. The American publishers therefore were subject to the law of equal competition, and forced to sell at the cost of production. This was a dollar, at which price they sold 100,000 copies. I am inclined to think that the English publisher would have obtained a larger aggregate profit if he had been contented with a smaller proportional one, and had increased still more his sale by letting his price approach still nearer to the cost of production. This however supposes him to have foreseen, what perhaps was to be foreseen, the extraordinary popularity of the book.

C. Though the multiplication of copies of a given book belongs to the class of monopolies in which the producer can increase his product with constantly increasing advantages, the composition of original works belongs to the class in which the producer who strains his powers finds them gradually diminish. This is the case

with all vital exertions, and peculiarly so with those of the intellect. To do his best, to write as well as his observation, his judgment, his powers of reasoning, his imagination and his taste enable him to do, is an arduous task to every man—as much so to the man of the highest genius as to the literary journeyman. No man writes much who writes as well as he possibly can write. A man of great talents however, if he choose to sacrifice the quality of his produce, can generally increase its quantity; can increase it indeed in proportion to that sacrifice. What might not Dryden have done if, like Pope and Gray, he had concentrated his powers. But he chose to write by contract—to agree with Jonson to furnish 10,000 verses for 250 guineas. This is the bane of modern literature, particularly in countries like England and France in which authorship is profitable enough to be a trade. We have all heard of the 180,000 lines of feuilleton which M. Dumas sold to be delivered in the course of a year and a half, at the rate of not less than 200 lines a day, and of the six novels which as its vehicles, he kept running abreast. Even the fertile mind of Sir Walter Scott, as the stimulus was more profusely applied, like an overcultivated vineyard, gave a less and less valuable return. *The Lay of the Last Minstrel* was in time succeeded by *Rokeby*, and *Waverley* by *Anne of Gierstein* and at last by the *Count of Paris*.

D. We now come to the monopolies in which the monopolist has not exclusive powers of production but only certain exclusive facilities as a producer. In these cases the price is limited by the cost of production to the consumer. If however the nature of the production be such that the monopolist can increase his production with undiminished, or (as is generally the case where it is undiminished) with increased facility, it is his interest to keep the price far within that limit.

My supposed patentee of sideboards was an example of this class. If the average number of sideboards which he sold in a year was ten, he got twenty guineas³⁰ a year of profit before he invented the new process; and by keeping the price at forty guineas might have got 120 guineas after the invention, or twelve guineas profit on each. But if by reducing the price to £36 he could sell one hundred, he could get an aggregate profit of £600; and if by reducing it to £34 he could sell two hundred, he could get an aggregate profit of £800—even supposing that the greater number cost him always the same proportional expense. In fact, however, they would have cost him less. Under the general principle that increased capital applied to

manufacturing processes produces a greater proportional return, the two hundred sideboards instead of costing £30 apiece would probably cost only £28, so that the profit on their sale would be £1,200.

Sir Richard Arkwright's inventions afford a good specimen of this kind of monopoly. They enabled him to produce a greater quantity but not a better quality. The finger and thumb constitute an instrument more delicate than any system of rollers: the muslin formed by the comparatively unassisted labor of the Hindoos is finer and more durable than the produce of our elaborate manufactories. The price therefore which he could exact was limited by the competition of other productive instruments more expensive but more efficient. The price which he *did* exact was still further limited by a regard to his own interest.

He had discovered an instrument of which the powers, instead of being exhausted, increased with every increase of its application. To erect a mill for the purpose of spinning annually a hundred, or a thousand pounds of cotton would be madness. The expense of spinning 10,000 pounds little exceeds that of spinning 1,000, and probably 50,000 might be spun at less than double the cost of 10,000. As the quantity produced is increased, the relative cost of production is diminished. If, therefore, on the sale of 10,000 hanks of twist at a given price, which we will call £1 a hank, his profit amounted to £5,000, his profit on selling ten times that amount at the same price would be £50,000, if the proportional cost of production remained the same; and £75,000, if the cost of production was diminished by one-half. But of course he could not expect to sell 100,000 hanks at the same price as 10,000. In order to stimulate the increase of consumption he was forced constantly to diminish the price, recompensed however for the diminution of price by the diminution of cost. And thus, probably during the whole time that his exclusive privileges lasted, he kept constantly approaching a constantly receding cost of production.

E. The fifth and last class of monopolies exists where the monopolist is one among many producers each of whom must be assisted by natural agents limited in number and varying in power, and repaying, while the skill with which they are used remains stationary, with less and less relative assistance every increase in the amount of labor and capital bestowed on them. It is under these circumstances that the greater part of the raw produce supplied by the earth is afforded. It is the great monopoly of land.

[In treating of the efficiency of agricultural capital ³¹] I remarked that the soil of a country may be considered as a collection of instruments varying indefinitely with respect to their productiveness, to the facility of working them, and to their convenience of situation. The most productive, or the most easily worked, or the best situated lands, in other words, the most eligible instruments are the first occupied; and, as the demand for raw produce increases, unless increased skill enables a larger produce to be obtained from the instruments already in use, others less productive or more expensive must be resorted to. In general, as a nation advances in wealth the three phenomena—increased demand, increased production, and increased agricultural skill—are concurrent, the last being generally the most marked. A larger and a larger proportion of the raw produce which is consumed is imported from countries in which labor is less costly, and the greater part of the rest is obtained rather less laboriously because much more skillfully than before. But though, with some exceptions, of which the most important are cattle and timber, raw produce ³² has a tendency to become more abundant as wealth and civilization advance, it is subject to this tendency much less than manufactured commodities.* ²³⁵

3. Summary of the General Laws of Value. The general laws of value then are these.

(a) Things which are incapable ³³ of increase depend for their value on the desires and the wealth of their consumers. Their value is subject neither to a maximum nor to a minimum.

(b) Those of which the increase is limited only by the labor and abstinence necessary to their production, and applicable by every one who is willing to undergo that sacrifice sell for their cost of production. That cost is the same to the producer and to the consumer, since every consumer can turn producer with equal advantages. This is the law which regulates the value of the bulk of manufactured ³⁴ articles, so far as that value has been communicated to them by the manufacturer. It has been called “the law of equal competition.”

(c) Things which are subject to the strictest monopoly, that in which the monopolist is the only producer, and cannot increase the amount of his production, or can increase it only by deteriorating the quality of his produce,³⁵ are subject to a minimum but to no maximum. The monopolist will not continue to produce and sell them for less than their cost of production, but he asks as much more as the desires and wealth of the purchasers lead them to give.

(d) Things as to which the monopolist can increase his production indefinitely with equal or increasing facility are subject to nearly the same law whether he be the only producer or have merely exclusive facilities of production.³⁶ They sell not for the utmost price which can be extorted from the purchasers, but for that which the monopolist believes likely to give him the largest aggregate profit. A small profit repeated ten thousand times may exceed a large one repeated only one hundred times.

(e) Things as to which the monopolist has peculiar facilities of production, which diminish as he increases his production, sell at the cost of that portion which must be produced in order to afford the aggregate supply which the purchaser requires.³⁷ If the inhabitants of London require two million quarters of corn a year, of which 500,000 could be supplied at 20s. a quarter, 500,000 more at 30s., 500,000 more at 40s., and the last 500,000 at not less than 50s., the whole will sell for 50s. a quarter, or for £5,000,000, because the last 500,000 quarters could not be supplied at a less price. If the demand were to fall to 1,500,000 quarters, the price of the whole would sink to 40s. a quarter or to £3,000,000; and if the demand fell to 1,000,000 quarters, the price would sink to 30s. a quarter or to £1,500,000.

In the next [Part] I shall inquire into the nature of the great instrument of exchange, *money*.* ²³⁶

NOTES ON PART VI

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¹ [If I interpret the author correctly, the distribution of wealth through violence and fraud is excluded from the term *exchange*—not on account of ethical considerations, but simply because such transfers of wealth are one-sided: one party acquires from another a valuable thing without returning an equivalent. The question whether *profiteering* (*i. e.*, the acquisition of wealth by charging *abnormally* high prices for commodities or services) is to be regarded as a result of an exchange or not—that question has attracted the attention of serious thinkers in recent years, especially since the World War. Theoretically, the monopolist who tacitly says to the consumer “Pay or starve” may be on a par with the highwayman who tells his victim “Money or your life”; but in practice there is quite a big difference. The strong arm of the law is always held up against the robber; but in the case of the profiteer, if he be not “within the law,” there are plenty of lawyers to shield him against its rigor. From an economic standpoint, therefore, profiteering may be regarded as a mode of exchange, in so far as it is sanctioned by the vested interests.

In its report on *Profiteering* (June 29, 1918), the Federal Trade Commission stated that during the World War profiteering existed in many industries. “Much of it is due to advantages taken of the necessities of the times as evidenced in the war pressure for heavy production. Some of it is attributable to inordinate greed and barefaced fraud” (p. 5). “Prices may be forced up by spreading false and misleading information concerning the condition of supply and demand. Reports, for instance, have been circulated that the supply of gasoline was endangered for the purpose of maintaining the high price of that product and the heavy profits from it” (p. 7). “In cases where the Government fixes a definite margin of profit above costs there is considerable incentive to a fictitious enhancement of costs through account juggling. The item of depreciation can be padded. Officers’ salaries can be increased. Interest on investment can be included in cost. New construction can be recorded as repairs. Fictitious valuations on raw material can be added, and inventories can be manipulated” (p. 7). “An exposition of the excess profits of four of the big meat packers . . . is given in the fact that . . . from 1915 to 1917 their total profits have reached the astounding figure of \$140,000,000, of which \$121,000,000 represents excess over their prewar profits” (p. 14).]

² [Cf. Part IV, Chap. III, sec. 3; Chap. IV, sec. 4; and Chap. VI, sec. 2.]

³ [Some economists, notably Colonel Torrens and von Thünen, have devoted much space to arguing about imaginary states of society where there are supposed to be no exchanges with the outside world. The marginal-utility theory of value is usually illustrated in textbooks on economics by references to the *supposed* thoughts and activities of Robinson Crusoe. Now, according to Senior, economic laws have no reference at all to the transactions of such isolated individuals or communities.

"To suppose an attempt by Robinson Crusoe to regulate the distribution of his commodities according to the laws of political economy would resemble the celebrated soliloquy of an Amphisbæna, or the cabinet council held *Julio et Cæsare consulibus*" (Lo¹, 351-352). "Political economy considers men in that more advanced state, which may fairly be called their natural state, since it is the state to which they are impelled by all their natural propensities, in which each individual relies on his companions for the greater part, in many cases for the whole, of what he consumes, and supplies his own wants principally or wholly by the exchanges in which he contributes to theirs" (Lo⁴, 2-3).]

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⁴ [See Part III, Chap. I, sec. 1.]

⁵ [This was written in 1850.]

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⁶ ["*Demand*," Senior observes, "is sometimes used as synonymous with *consumption*, as when an increased production is said to generate an increased demand; sometimes it is used to express not only the desire to obtain a commodity, but the *power* to give the holder of it something which will induce him to part with it. Neither of these expressions appears to be consistent with common usage.

"It must be admitted that the word demand is used in its ordinary sense when we say that a deficient wheat harvest increases the demand for oats and barley. But this proposition is not true in any other sense than as expressing the increased utility of oats and barley; or, in other words, the increased desire of the community to obtain them. The deficiency of wheat would not give to the consumers of oats and barley any increased power of purchasing them, nor would the quantity purchased or consumed be increased. The mode of consumption would be altered; instead of being applied to the feeding of horses, or to the supply of stimulant liquids, a certain portion of them would be used as human food. And, as the desire to eat is more urgent than the desire to feed horses, or drink beer or spirits, the desire to obtain oats and barley, or, in other words, the pleasure given or the pain averted by the possession of a given quantity of them (or, in other words, the *utility* of a given quantity of them), would increase." Lo¹, 128-131; also in Lo³, 14-16.]

⁷ [Mathematical economists have lately shown much dissatisfaction with the classical term *utility* and have coined a new set of terms to be used instead of it. Pareto, for instance, has suggested the term *ophelimity*; Fisher has shown fondness for *wantability*, *wantedness* and *wantabs*; and D. J. Tinnes has dug deep and at last found an affinity in the obsolete word *valure* and its derivatives—*val*, *valuron*, and *valuation*. Such suggestions indicate that we are gradually returning to "normalcy," and in accordance with Einstein's theory of relativity, economists may before long reach a stage where the old Schoolmen left off.]

⁸ [Cf. Part III, Chap. I, sec. 1.]

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⁹ ["It is as impossible," Senior observes, "for one commodity to remain perfectly unaltered in value while any other is altered, as it would be for a lighthouse to keep at the same distance from all the ships in a harbor while any one of them should approach it or recede. When we recollect that the

supply of large classes of commodities is dependent on our amicable or hostile relations with foreign states, and on the commercial and financial legislation both of those states and of our own country, and that the supply of still larger classes is dependent not only on those contingencies, but on the accidents of the seasons,—and when we consider how the *demand* is affected not merely by the existing, or the anticipated obstacles to the supply, but often by a spirit of speculation as blind as that of a gambler ignorant of the odds and even of the principles of his game,—it is obvious that the general value of all commodities, the quantity of each which will exchange for a given quantity of every other, can never remain the same for a single day" (Lo¹, 157-159).]

¹⁰ [The author's remark as to the decline of prices appears to be based upon Tooke's *History of Prices* (see Part VIII, Chap. I, sec. 3). The inverse relation between the long-time trend of commodity prices and that of real wages, or labor's purchasing power, to which Senior alludes, is of special significance inasmuch as recent experience, particularly in America, has shown tendencies similar to what took place after the Napoleonic wars, which illustrates the adage that history repeats itself.

From the early stages of the World War until 1920, when the demand for goods was out of all proportion to the existing supply, nearly all commodities were struggling blindly, so to speak, to reach the peak of inflated prices—the "Dead Man's Hill" of overexpansion and speculative trade. The steep upward trend, however, of commodity prices produced a corresponding rise in the cost of food, clothing, shelter, and other necessities of life. To meet the constantly increasing cost of living the employed classes, especially those affiliated with well-organized trade unions, insisted upon receiving higher and higher wages. The resistance on the part of employers to the extreme demands of their working people resulted in disastrous strikes and lockouts, which further raised overhead costs. But with the shrinkage in the purchasing power of money and the corresponding decline in the effective demand of ultimate consumers, a large part of unfilled orders had to be canceled, sales fell off much below the anticipated level, and unemployment was widespread, thus forcing commodities to tumble down to "no man's land," *i. e.*, below their cost of production.

Such is the picture in a nutshell of the social and industrial upheaval which resulted from the abrupt changes in the general price level incident to the exigencies of the late war and its aftermath. But since 1922 the situation has considerably improved. The movement of commodity prices, instead of being violent and precipitous, has been fairly smooth and orderly, though the trend is decidedly below the war-time level. On the other hand, the relatively stabilized business conditions in recent years have been productive of satisfactory profits, despite the high wage rates generally paid to the employed classes.

In order to appraise the factors which have promoted the present era of fairly stabilized business, as reflected by the smooth curves of commodity prices, security prices, and other business indicators, one must comprehend the nature and extent of the causes which from time to time upset more or less our economic structure.

It may be laid down as a general proposition that business disturbances are at bottom social maladjustments due to changes in the relationship between

the demand for and the supply of marketable commodities or services. Very often these disorders are brought about—not so much by reason of *actual* deviations from normal supply or demand, but owing to the *supposed* changes in market conditions existing merely in the imaginations of certain influential business men. Manifestly, ignorance of actual conditions, fear, suspicion, uncertainty and excessive speculation tend to undermine the established order of things and demoralize market conditions. On the other hand, the dissemination of exact knowledge with respect to production, sales, shipments, stocks, prices, etc., and the revival of confidence in mercantile transactions, aid materially in the reestablishment of harmonious relations between buyers and sellers.

The general level of business activity, not unlike that of a great river, is in a state of perpetual flux and change. In fact, change is the normal order of industry and trade—in times of peace as well as during war. But the vicissitudes of business are of two kinds: The *predictable*, which are capable of being more or less effectively controlled; and the *unpredictable* changes, which in the present stage of civilization cannot be controlled.

The former alterations take place by reason of the regular seasonal requirements, the gradual increase of population, and because of the rising standards of living. Department stores, for example, are normally expected to do more business in December than in any other month of the year, owing to the customary demands of the holiday season. Similarly, railroad managers generally anticipate the heaviest traffic in the months of September and October on account of harvest requirements. Again, in planning future operations, business executives can usually foresee the need for plant expansion to meet the increasing demands of a growing community. On the other hand, the trend of general business conditions may be altered by far-reaching changes taking place at irregular intervals, which no amount of personal ingenuity or foresight can prevent or retard. The most important of those transformations are brought about through wars, strikes or lockouts, the introduction of radical styles, epidemic diseases, conflagrations, floods, drought, storms, earthquakes, and other catastrophes.

Barring the possibility of the latter class of extraordinary events, it may be stated that the prospects for well-balanced industrial conditions and for an extended period of prosperity in this country have never been as bright as at the present time. The following is an outline of the principal influences—some psychic and some physical—which are promoting this healthy state of affairs.

Elastic System of Money and Credit. One of the most important factors making for business stability has been the co-ordinated system of Federal Reserve banks. Through its control of discount rates and its large-scale purchases and sales of government securities in the open market (especially since the organization of the Open Market Committee in the early part of 1923) the management of the Federal Reserve System has endeavored to adapt the supply of currency and credit to the varying needs of business, thus precluding the possibility of financial crises such as “the Roosevelt panic” of 1907.

Return to Gold Standard in Europe. Another important element affecting the normal development of business has been the restoration of the gold stand-

ard in the leading European countries during the last three or four years. The return to a free gold market has tended to stabilize the exchanges and interest rates. It has also promoted international confidence and the flow of trade from country to country.

Efficient Transportation System. A substantial aid in smoothing the peaks and valleys of business activity has been the steady improvement of our transportation system—especially, the relief from congested traffic through the elimination of railroad car shortages coupled with the marvelous development in recent years of automobile transportation over hard roads. Dependable transportation service has promoted the prevailing practice of buying goods only for immediate needs, consistent with a fast rate of turnover, instead of over-buying and stocking up in advance for fear of uncertain deliveries, as was the usual procedure in former years.

Analytical Attitude Toward Business. An exceedingly important development in recent years has been the growing appreciation on the part of enlightened executives that the welfare of an individual concern is more or less dependent upon the conduct of other business units, and that, therefore, effective administrative control requires adequate analysis of fundamental facts not merely pertaining to a given industry but also concerning business conditions in general. This tendency has given rise to the collection, interpretation, and the broadcasting of current business data, through Governmental departments, trade associations, and independent statistical agencies.

Of special interest in this connection are the recent rulings of the United States Supreme Court, permitting trade associations to compile and to disseminate important statistical data, and help in establishing uniform cost accounting systems. In the *Maple Flooring Case* the Court states: "*It is the consensus of opinion of economists and of many of the most important agencies of government that the public interest is served by the gathering and dissemination in the widest possible manner of information, with respect to the production and distribution, cost and prices in actual sales of market commodities, because the making available of such information tends to stabilize trade and industry, to produce fairer price levels and to avoid the waste which inevitably attends the intelligent conduct of economic enterprise.*"

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¹¹ [This is generally known as the *economic law of supply and demand*, which is considered to be the regulator of all *prices*, *i. e.*, the monetary values of things. Though useful for certain purposes, a general statement of this character is nothing but a truism. In attempting however to point out the reasons for the rise or fall in the price of a given commodity at a specified time and place, we are confronted by such a multitude of influences acting simultaneously on the "bull" and "bear" sides of the market, that it is exceedingly difficult to trace specific effects to their corresponding causes hidden in the labyrinth of demand and supply factors.

A concrete illustration of the difficulty of generalizing about prices is afforded by the following digest of press reports and leading articles, reflecting public opinion with regard to market conditions in the cotton industry that prevailed during the period immediately after the armistice.]

High-Price Factors

1. *Smaller* stocks in U. S. cotton mills. European port stocks now *less* than before the war.
2. Coarse fabrics are *scarce*.
3. East Indian crop *smaller* than last year.
4. Campaign in South to *reduce* acreage.
5. Watkins Bureau estimates *reduction* in acreage to extent of 16 per cent.
6. British restrictions on textile machinery removed.
7. Government restrictions on non-essential fabrics removed.
8. Cotton mills in Belgium, Northern France and Alsace-Lorraine are ready to resume operations.
9. Domestic consumption of cotton has *increased* in recent months.
10. Influenza epidemic is passing off and the supply of labor is increasing.
11. Workers returning from munition factories to cotton mills.
12. Webb-Pomerene law passed to facilitate export trade.
13. Possibility of increased ocean tonnage for *cotton* shipments.
14. Europe is bare of raw *cotton*.
15. Plan of extending credit by means of acceptance method.
16. Farmers holding cotton back, waiting for higher prices.

Low-Price Factors

1. *Larger* stocks in U. S. warehouses. European port stocks now *more* than last year.
2. *Cancellation* of Government contracts.
3. American crop *larger* than last year.
4. Propaganda in North that movements for decreasing acreage were *ineffective* in the past.
5. Enthusiasm in Wall Street that acreage reduction will be *only* 16 per cent and *not* $33\frac{1}{3}$ per cent as anticipated by South.
6. Curtailment of factory output as result of labor unrest.
7. Cancellation of Government contracts.
8. Spread of Bolshevism on the continent of Europe will militate against the early resumption of mill operations.
9. Domestic consumption of cotton *this year* has decreased as compared with last year.
10. Cost of labor is too high.
11. Strikes in New England, the South, Manchester, Barcelona, and Milan paralyze the cotton industry.
12. Unsettled conditions on the continent of Europe preclude the possibility of an early resumption of business.
13. Great need of tonnage for transportation of *foodstuffs*.
14. Europe needs *food first* of all.
15. Southern banks not too ready to lend on cotton.
16. Spinners buying sparingly, waiting for lower prices.

¹² [Though this subject has already been considered at some length in Part II, it may be of interest to quote here a few pertinent remarks abstracted from

Adam Smith's *Theory of Moral Sentiments*, the first edition of which appeared in 1759 (quotation from Murray's edition, 1869).

"To deserve, to acquire, and to enjoy the respect and admiration of mankind, are the great objects of ambition and emulation. Two different roads are presented to us, equally leading to the attainment of this so much desired object: the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. Two different characters are presented to our emulation: the one, of proud ambition and ostentatious avidity; the other, of humble modesty and equitable justice. Two different models, two different pictures, are held out to us, according to which we may fashion our own character and behavior: the one more gaudy and glittering in its coloring; the other more correct and more exquisitely beautiful in its outline—the one forcing itself upon the notice of every wandering eye; the other, attracting the attention of scarce anybody but the most studious and careful observer. They are the wise and the virtuous chiefly, a select, though, I am afraid, but a small party, who are the real and steady admirers of wisdom and virtue. The great mob of mankind are the admirers and worshipers, and, what may seem more extraordinary, most frequently the disinterested admirers and worshipers, of wealth and greatness.

"It is because mankind are disposed to sympathize more entirely with our joy than with our sorrow, that we make parade of our riches, and conceal our poverty. Nay, it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty. For to what purpose is all the toil and bustle of this world? what is the end of avarice and ambition, of the pursuit of wealth, of power, and preëminence? Is it to supply the necessities of nature? The wages of the meanest laborer can supply them. We see that they can afford him food and clothing, the comfort of a house and of a family. From whence, then arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by the great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. It is the vanity, not the ease or the pleasure, which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation. The man of rank and distinction is observed by all the world. His actions are the objects of the public care. Scarce a word, scarce a gesture, can fall from him that is altogether neglected. In a great assembly he is the person upon whom all direct their eyes; it is upon him that their passions seem to wait with expectation, in order to receive that movement and direction which he shall impress upon them.

"Upon this disposition of mankind, to go along with all the passions of the rich and the powerful, is founded the distinction of ranks, and the order of society. Our obsequiousness to our superiors more frequently arises from our admiration for the advantages of their situation, than from any private expectations of benefit from their goodwill. It is this, which, notwithstanding the restraint it imposes, notwithstanding the loss of liberty with which it is attended, renders greatness the object of envy, and compensates, in the opinion of mankind, all that toil, all that anxiety, all those mortifications which must be undergone in the pursuit of it; and what is of yet more consequence,

all that leisure, all that ease, all that careless security, which are forfeited forever by the acquisition.

"This disposition to admire, and almost to worship, the rich and the powerful, and to despise or, at least, to neglect persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, at the same time, the great and most universal cause of the corruption of our moral sentiments. We frequently see the respectful attentions of the world more strongly directed towards the rich and the great, than towards the wise and the virtuous. We see frequently the vices and follies of the powerful much less despised than the poverty and weakness of the innocent."—Part I, sec. III, Chaps. II and III.]

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¹³ [See Part II, Chap. III, for a more detailed discussion of the Law of Variety.]

¹⁴ ["Wonder, surprise, and admiration" (says Adam Smith), "are words which, though often confounded, denote, in our language, sentiments that are indeed allied, but that are in some respects different also, and distinct from one another. What is new and singular, excites that sentiment which, in strict propriety, is called *wonder*; what is unexpected, *surprise*; and what is great or beautiful, *admiration*."

"These sentiments, like all others when inspired by one and the same object, mutually support and enliven one another: an object with which we are quite familiar, and which we see every day, produces, though both great and beautiful, but a small effect upon us; because our admiration is not supported either by wonder or by surprise: and if we have heard a very accurate description of a monster, our wonder will be the less when we see it; because our previous knowledge of it will in a great measure prevent our surprise."—*The Principles which Lead and Direct Philosophical Enquiries*; as Illustrated by the *History of Astronomy*, pages 1 and 2.]

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¹⁵ [See Part III, Chap. II, sec. 4, for the exact meaning attached to the term "materials" as distinguished from "commodities" or "instruments."]

Page 10.

¹⁶ [See Part IV, Chap. VI, and Chap. VII, sec. 1.]

Page 11.

¹⁷ [In recent years there has been a marked tendency towards integration and centralization even in merchandising businesses, which are ordinarily conducted in relatively small establishments. Gigantic department stores, mail-order houses, and chain stores of every description, aided by advertising mediums such as newspapers and magazines, have succeeded in extending their sales in every part of the country and are swiftly sweeping the small independent retailers into the background. The phenomenal development of chain stores—particularly in the grocery and meat lines—is especially significant.

According to *Chain Store Age*, there were in 1914 only 500 grocery chains, operating 8,000 stores, whereas at the beginning of 1927 there were 825 such organizations operating 52,000 stores, an increase of 550 per cent above the pre-war status. For 1925, the same authority has estimated the chain grocery sales at \$2,293,668,000 compared with \$5,808,198,000 sales of independent

grocery stores—indicating that chains do more than 28 per cent of the total retail grocery business in the United States. As chain stores are concentrated chiefly in cities, it is not surprising to find that they do 50 per cent of all urban retail grocery trade.

Chain stores are to Distribution what large-scale operations are to Production. Mass merchandising, not unlike mass production, is subject to the economic law of Increasing Returns for the following reasons:

1. Considerable cash discounts are effected through the purchase of goods in great bulk direct from the factories, without the intervention of jobbers and wholesalers.

2. The increased volume of sales and the consequent rapid-fire turnover of merchandise is productive of large profits despite the relatively low margin of profit per unit of sales.

3. The rapid turnover referred to above tends to decrease depreciation of inventories and other overhead expenses; similarly, the sale of goods only for cash eliminates the credit risk, which occasionally may drive an independent dealer into bankruptcy.

4. All merchandising operations—including purchasing, warehousing, trucking, advertising, financing, etc.—are coördinated and controlled effectively through the organization of a trained and highly specialized personnel, which strives to eliminate waste by standardizing routine operations in accordance with the most approved principles.]

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¹⁸ [I. e., the marginal producer.]

¹⁹ [See Part IV, Chap. VII.]

²⁰ [See next chapter, sec. 2, subd. E.]

²¹ [Note the phrase “extra profit” instead of the old term “rent.”]

²² [Senior’s matured views on the relation of taxation to the cost of production, in so far as they are recorded at all, are embodied in his testimony before the Select Committee of the House of Lords on the *Burdens Affecting Real Property*, under date of March 18, 1846.

Question.—“Do you consider that any portion of the land tax augments the cost of producing wheat, and therefore enters into the price of wheat?”

Answer.—“The land tax being a *fixed* tax, I think not.”

Question.—“Applying the same question to tithe as commuted, what would be your answer?”

Answer.—“The tithe rent cannot enter into the price of wheat, unless you first suppose all other rent gone, and the land to be capable of only paying the tithe; and in that case I can quite understand that if the tithe were so heavy as to be equal to the whole net produce a person might say, ‘I will not cultivate this land and pay the tithe,’ and therefore it would reduce the quantity of wheat, and then unquestionably would increase the price.”

Question.—“You have stated that you do not consider the charge of the land tax to enter into the price of growing corn. Do you mean to say that the land tax is not fairly to be considered as a charge upon the land?”

Answer.—“I am not sure whether I know precisely how the land tax is assessed; but I have supposed it to be a small fixed sum, not capable of increase on any additional expenditure in cultivation. Under those circumstances it does not enter in the slightest degree into the price of corn.”

Question.—"The case is this. The Land Tax, by Mr. Pitt's Act, was fixed upon the respective districts; a certain district had a certain land tax to pay, say £1,000; that £1,000 is distributed within that district according to the valuation of the property; if one property is improved considerably, and another is not, the owner of the other may call for a new assessment of the land tax. So that you never can make that district pay more than £1,000, but within the district every man can call for a new assessment?"

Answer.—"Then my answer is, that *the land tax is a burden, and that the land tax does increase the cost of production of agricultural produce*, so far only as by increased cultivation the land tax payable by a particular farm may be augmented."

Question.—"Inasmuch as increased production brings an increase of the tax upon that particular estate?"

Answer.—"Yes."

Question.—"Otherwise you would not consider it to enter into the price of growing corn?"

Answer.—"No; supposing that it leaves a surplus."

Question.—"Supposing, for the purpose of general taxation, Parliament were to double the land tax, still not going to an amount which would throw the land out of cultivation, would you still say that that was no burden upon land, giving a ground of complaint to the proprietors of land as against the proprietors of other property in the country?"

Answer.—"I thought the question was as to its entering into the cost of production of wheat. I do not think that it would enter into the cost of production of wheat."

Question.—"Would it not diminish the *profit* of producing it?"

Answer.—"It would not diminish the *motive* to produce it."

Question.—"Would it not be a deduction from the gross amount of profit, and would it not leave the net amount of profit less than it was previously?"

Answer.—"But if the land pays a rent it must previously have paid the ordinary rate of profit. . . . It seems to me that every enhancement of the cost of production diminishes rent. All charges that increase with increased cultivation operate as both. They first increase the cost of production, and in the second place they diminish the rent because they have increased the cost of production."

Question.—"Do you conceive that the tithe rent-charge augments the cost of production, or that it operates as a deduction from rent?"

Answer.—"I conceive that it operates merely as a deduction from rent wherever rent is paid, but that where there is no rent it augments the cost of production; or that if you were *suddenly* to impose tithe upon land now tithe-free, or at least if there be now land tithe-free, which if it were cultivated would thereupon become subject to tithe, either of such causes would diminish the application of capital to such land."

Question.—"But with respect to all charges to which land may be subject which are taken into account with that general calculation *communibus annis* upon the average at the time of entering in possession by the tenant, do those operate as a deduction from the rent, or do they operate as an enhancement of the cost of production?"

Answer.—"I think of course that whenever they enhance the cost of produc-

tion they are a deduction from the rent; but the question may be, whether sometimes they do not operate as a deduction from rent without enhancing the cost of production. *I think that where they are fixed, and there exists a surplus, or rent, they do not increase the cost of production, but are only a deduction from rent, like a jointure.*"

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²³ [Cf. Part VIII, Chap. I, sec. 2.]

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²⁴ [*I. e.*, cost of reproduction and *not original cost* of production.]

²⁵ [Buildings used for residential purposes the author regards as mere "commodities," *i. e.*, articles of wealth used not productively but for mere enjoyment. That seems to explain why Senior has not included houses under the category of irremovable capital.]

²⁶ [Senior uses the term *profit* rather loosely to denote the difference between the income and the outlay in any business. A first-class accountant will, of course, find a hundred and one flaws in such a definition. He will naturally want to know what items the author includes under income and what under outlay. It will however be inferred from the various illustrations scattered throughout this work that Senior regards profit from a broad point of view: as the net income gained, during a specified period, over and above the current worth of the fixed and circulating capital invested in any business, after taking into account average depreciation and deducting from the gross income all necessary expenses incident to the period under consideration—such as the wages for the capitalist's own labor in managing his business, the wages of his employees, taxes, insurance, and the cost of materials and supplies entering into the finished products actually disposed of during the specified period. What is ordinarily called *interest* is included in Senior's concept of profit. Cf. Part IV, Chap. IV, sec. 3; Part VIII, Chap. I, sec. 2; Part IX, Chap. V, sec. 4; and the first section of the next chapter.]

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²⁷ [The author appears to have particular reference to the legislative restrictions imposed upon corn dealers. It is with reference to this class of legislation that Senior wrote during the Corn-Law régime as follows:

"The object of the corn dealer is to keep the supply in the market always equal and the price uniform, notwithstanding the vicissitudes of the seasons, and the long intervals between harvest and harvest: to relieve the market, when too full, and feed it when too empty, by reserving the superfluity of one year to supply the deficiency of another; and if a deficiency should occur after that reserve has been exhausted, as must be the case when bad seasons are continuous, to diffuse the evil over the whole year, by an early retardation of the consumption, instead of letting it burst out in famine towards the close. When I say that these are his objects, of course, I do not mean to imply that their attainment is the motive of his conduct. His motive without doubt is to make his fortune. But happily, the means by which his fortune is to be made are buying corn when it is cheap, and selling it when it is dear—operations quite as certain to produce the effects which I have mentioned, as to be profitable to himself.

"It is a striking instance of the inability of the mass of mankind—not merely of the ignorant multitude but of those who derive from their education and habits the power of judging soundly on other subjects—to perceive the simplest truths in political economy, that this trade, the most beneficial perhaps of all trades, has been the uniform object of public hatred, and has been constantly stigmatized as the cause of those very evils of which it is the remedy.

"By the 5th and 6th Edward VI, Cap. 14, it is enacted that 'whoever shall engross, or get into his hands by buying, contracting, or promise taking any corn, or grain, butter, cheese, fish, or other dead victuals whatsoever within the realm of England, to the intent to sell the same again, shall be accepted, reputed and taken an unlawful engrosser. And shall for his first offense have or suffer imprisonment for the space of two months, and shall also lose and forfeit the value of the goods, cattle and victuals so by him bought or had. And shall have and suffer for his second offense imprisonment by the space of one-half year, and shall lose double the value of all the goods, cattle, and victuals so by him bought or had. And that every such person for the third offense shall be set in the pillory in the city, town, or place where he shall then dwell and inhabit, and lose and forfeit all the goods and chattels that he have, and also be committed to prison there to remain during the King's pleasure. And that if any person having sufficient corn and grain for the provision of his own house and sowing of his grounds for one year, do buy any corn in any fair or market for the change of his seed, and do not bring to the same fair or market, the same day, so much corn as he shall fortune to buy for his seed, and sell the same, if he can, as the price of corn then goeth in the said market or fair—that then every such person so buying corn for seed, shall forfeit and lose the double value of the corn so bought.'

"Though our legislators do not at present set corn dealers in the pillory they have contrived to inflict on them, far more effectually than it was done in the clumsy age of Edward VI, the forfeiture of all their goods and chattels" (Lo⁴, 168-176). Cf. also Part X, Chap. I, sec. 2.]

Page 18.

²⁸ [It will be noted that the word "expense" includes the current rate of profit.]

Page 19.

²⁹ *Struggles of a Book.*

Page 20.

³⁰ [£20 would have been more accurate, since according to the author's assumption, the rate of profit is £2 per sideboard.]

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³¹ [Part IV, Chap. VII.]

³² [See secs. 2 and 3 of the last chapter, also Part IV, Chap. VII.]

³³ [Cf. sec. 1 above.]

³⁴ [Cf. previous chapter, sec. 2.]

³⁵ [Cf. last section, subdivisions A and C.]

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³⁶ [Cf. last section, subdivisions B and D.]

³⁷ [Cf. last section, subdivision E; and last chapter, sec. 3.]

PART VII
MONEY, CREDIT, AND EXCHANGE

CHAPTER I

THE NATURE OF MONEY

1. Origin and Functions of Money. 2. Ideal Qualities Requisite for Money. 3. Origin, Purpose, and Control of Coinage. 4. Metallic versus Paper Currency.

1. Origin and Functions of Money. I observed [in a previous chapter¹] that the reciprocal values of any two things, or, in other words, the quantity of the one which will exchange for a given quantity of the other, depend on two sets of causes: those which occasion the utility and limit the supply of the one, and those which limit the supply and occasion the utility of the other. The causes which occasion the utility and limit the supply of any given commodity or service, I denominated the intrinsic causes of its value; those which limit the supply and occasion the utility of the commodities or services for which it is capable of being exchanged, I denominated the extrinsic causes of its value.

The extrinsic causes which give value to any commodity are innumerable and constantly varying; its general value is therefore incapable of being ascertained. [As] the intrinsic causes of value are comparatively few, permanent, and capable of investigation,*²³⁷ it may be supposed that commodities exchange for one another in proportion to the force with which these causes operate on them respectively; or, as it has been sometimes expressed, that their respective value is directly according to their respective demand,² and inversely according to their respective supply. And, as a general rule this is undoubtedly true. But to enable an exchange to conform to this rule each party must be able to estimate the causes which give value not only to the commodity which he is to give but to that which he is to receive. Each of these inquiries is liable to great uncertainty. Though he may be able to ascertain the obstacles which he had to surmount in obtaining his own commodity he may be unable to discover whether, in his particular case, they exceeded or fell short of their average force. He may be unable to ascertain whether the causes which give it utility are stationery, increased, or diminished. This information on all these questions is likely to be still more incomplete so far as they respect

the commodity for which he is bargaining. And if either commodity is subject to frequent fluctuations in its general value even his experience of similar exchanges will be of little service.* ²³⁸

But this is not the only obstacle which nature has thrown in the way of exchanges. A still greater difficulty arises from the frequent absence of reciprocal wants and supplies. In a civilized community almost every productive individual produces some one commodity in an abundance far beyond his own use, and depends himself on what is produced by many hundred or many thousand other individuals. It is obviously impossible that he should often meet with persons wanting exactly what he has to give, and having what he wishes to receive.* ²³⁹ The principal commodities which a conveyancer produces are legal instruments and opinions on the law of real property. In return for these he obtains through the exertions of many thousand individuals the necessities and comforts of life, and protection from domestic and foreign injury. But it is obvious that this could not be effected by means of barter. A farmer might be willing to give me an ox for a marriage settlement; but I should not find it easy to keep such a fee until I wanted a sirloin, or to dispose of that part of the carcass which I could not consume. Instead of beef I might want fuel or clothing; but neither my tailor nor my coal merchant might want a deed or a legal opinion.* ²⁴⁰

So great are these difficulties that if means had not been invented to diminish them mankind must have remained savage or semi-barbarous. The principal of these means are the use of money and the use of credit.

The use of credit is the simplest mode of effecting an exchange between those whose wants and supplies do not precisely correspond. To a certain extent it must exist in the rudest stages of society. We may be sure that a savage hunter or fisher often purchases arrows or nets by a promise to pay for them out of the produce of his labor. Little use, however, can be made of personal credit except in an advanced state of civilization. It is only in such a state that the performance of contracts can be regularly enforced; and even where the seller can confide in the intended purchaser's honesty, still that intended purchaser may not be likely ever to have the *precise things* wanted by the seller.* ²⁴¹

An effectual remedy was found at a period so early that no trace of its origin remains. Before the times of Abraham men had fixed on a commodity to be used not for the purpose of enjoyment but of

transfer, to serve as a circulating pledge always capable of consumption but never intentionally consumed, and differing from personal credit only in this, that the credit is given not to the person but the thing. This commodity, whatever be its substance, whether furs as in Tartary, salt as in Abyssinia, cowries in Africa, iron in ancient Sparta, or gold, silver, and copper in modern Europe, is *money*. But it is money only so long as it is received merely for the purpose of being again given in exchange. If a goldsmith give me a ring for a sovereign, and use it as gold, this transaction is in fact a barter.

My description of money as a mere substitute for credit may appear an unusual one. But when I give a legal opinion in exchange for a guinea it is not with any view of using the guinea myself. It would in fact be utterly useless to me. But I take it because my client has nothing else that I want, and because I trust that those who have what I want will readily give it in exchange for gold. The same reliance on the exchangeable quality of the guinea actuates every person to whom it is successively offered. And thus it travels on from century to century through thousands of successive holders, not one of whom perhaps would stoop to pick it from the ground if he did not believe that he could obtain something valuable in exchange for it.

Other commodities, after passing perhaps through the hands of one or two dealers, always find an ultimate purchaser who intends to consume them. Money has no ultimate purchaser or consumer. The use of other commodities in general gives pleasure, and the pleasure increases with their abundance. The use of money gives no pleasure whatever: its abundance is a mere inconvenience. If the supply of gold money were ten times more abundant than it is, the only consequence would be that we should have ten times as heavy a weight in our pockets. If it were only half as abundant, a half sovereign would do all that a sovereign can do now.

I can perceive no other difference between the exchanging a commodity for a promise that the receiver will give some other commodity to the person whom the seller shall appoint, and the exchange of a commodity for money, than that, in the first case the seller gives credit to the will and ability of the purchaser to make good his engagement, and that in the second case he gives credit to the money. In neither case does the seller receive, in the first instance, the commodity which he wishes actually to consume. He hopes in both cases to obtain that commodity through a

subsequent exchange. In both cases he may be deceived, but if the commodity used as money has been well chosen, he is much less liable to err in trusting to money than to the honesty and solvency of his purchaser.* ²⁴²

The first use of money must have been to serve as a substitute for credit: to enable exchanges to take place where the absence of concurrent and reciprocal wants and supplies in the two parties makes barter impossible. But since the number of those exchanges constantly increases as society advances and every man depends upon a greater and a greater number of other men, barter (except in those cases in which services are exchanged for subsistence) gradually wears away, and money becomes one of the subjects of almost every exchange.* ²⁴³

When money has superseded barter, and thus become the universal medium of exchange, it quickly becomes the universal measure of value. In each of these functions it is of the highest utility. In the first, by enabling the indirect performance of numberless exchanges which could not have been accomplished, or would have been very troublesome if attempted without its intervention. In the second, by affording a scale by which the comparative values of commodities may be ascertained, though they may never have been directly exchanged.* ²⁴⁴ If a person should bring coals to a market in which money was unknown, in order to exchange them for wheat, he might hear a great deal about the values of each commodity without gaining any useful information. He would learn nothing by being told that a given quantity of coal exchanged currently for 100-weight of oranges, or potatoes, or paper, and that an equal quantity of wheat exchanged currently for a tun of wine or a cask of sugar, or a bag of coffee. But if money were in use, he would instantly ascertain their relative values by ascertaining their respective current prices in money.* ²⁴⁵

But money is capable of performing a third office quite as important as either of the others. As yet I have considered those exchanges only in which each party has something ready to give in exchange for what he receives. But cases constantly occur in which one of the parties only has his commodity ready, and, if the exchange is to take place, must part with it on the terms of receiving an equivalent at a subsequent period.* ²⁴⁶ In that numerous class of contracts to which we give the names of hiring and letting, the hirer or lessee is admitted to immediate possession on a promise to make future compensation. But how is the value of that

compensation to be estimated? If I were to let a house at an annual rent of so many pairs of stockings, an improvement in machinery diminishing to one-half the cost of producing a pair of stockings might reduce the value of my rent by one-half.* ²⁴⁷

The best remedy is to agree that payment shall be made in that commodity of which the value seems least likely to be affected by intrinsic causes: a given quantity of which will be most likely to retain the same general value, the same average power of purchasing other commodities. The commodity so selected is used not as a substitute for personal credit, nor as a measure of value, but as an expression or representative of value. Unfortunately, no commodity can do this with perfect accuracy, and those which effect it best for short intervals have miserably failed when they have been employed during longer ones. And it is still more to be regretted—for it is our own fault—that the influence of governments has, in general, been employed to prevent, as far as they have been able, the beneficial performance of this office, even during short periods, by the commodity which is most fit for it. But money if formed of proper materials, will completely effect this purpose for short periods, such as from month to month. If mischievous legislation do not interfere, it will generally do it well not only from year to year but for periods of thirty or forty years. As a representative of value ³ from century to century it is totally useless.* ²⁴⁸

Money therefore has three functions. It serves, first, as a *medium of exchange*, in which capacity it is a mere substitute for barter and credit; secondly, it is a *measure of value*, that is, a third thing by comparison with which the relative values of all other things are most easily ascertained; and thirdly, it is an *expression of value*, a commodity in which future payments may be contracted for, with more probability of their continuing for short periods, of nearly the same general value than if any other commodity were designated.* ²⁴⁹

As my view of money differs in some respects from that taken by other political economists, I am happy to be able to support it by the authority of Aristotle; and for that purpose I will extract from the fifth book of the *Ethics* that remarkable passage, in which he explains the functions of money more fully and more accurately than any modern writer whom I have consulted.

The things which are the subject of an exchange must be rendered capable of comparison. For this purpose money was introduced to

serve as a universal measure, to determine the degree in which the value of one commodity exceeds or falls short of that of another: to determine, for instance, the degree in which a house or a given quantity of food exceeds in value a single pair of shoes, and therefore how many pairs of shoes are of equal value with the house or food in question. Unless this equality can be ascertained there can be no exchange, and consequently no union of men to form a community. And it can be ascertained only by using a single standard to measure the commodities compared.

The real standard of value, the real connecting link of society is demand, or the desire for what we do not possess. For if we suppose men to have no wants, or their wants to be different from those which they now experience, there would be in the first case no exchanges whatever; in the second, the exchanges would differ from those which now take place. But as demand is not always reciprocal men have conventionally substituted for it money—a substitute which derives its Greek name, νόμισμα, from its value depending not on natural causes but on νόμος, or the law; from its being in the power of man to render it valueless by annulling the compact which originally gave it currency. When the value of men's labor has been equalized, they exchange with equal advantage; and the husbandman receives from the shoemaker shoes bearing the same proportion in value to a given quantity of food which the labor of the husbandman bears to that of the shoemaker. Without this reciprocal benefit society could not exist.

We have seen that demand, or, in other words, the want of each other's services felt by its members, is the ultimate link of society; and that exchange, which is the immediate link, depends on the demands of each party being reciprocal. Cases however must arise where the demand on one side is immediate, and on the other future. In such circumstances money enables an exchange to take place, *by acting as a surety to the seller that when his demand occurs he will be able to become a purchaser in turn.* It is true, indeed, that money does not always fully perform its promise, since it is itself subject to fluctuations in value, but it has a greater tendency than other things to remain unaltered.

It appears, therefore, that for the purposes of social life everything must be made capable of valuation, for without valuation there could be no exchange, and without exchange no society. To the services of money, therefore, as a standard of value—as a means of equalizing what otherwise must have been incapable of comparison—we are indebted for social life; since society depends on exchange, exchange on equality, and equality on comparison. It is true that things so different as many of the commodities which are the subjects of exchange do not admit of a perfectly accurate comparison. But their values are adjusted to one another with that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life. It is necessary,

therefore, that one commodity should be selected as a measure of value; and that commodity, as is indicated by its name, νόμισμα, must be selected by general agreement.⁴

This passage must have been known to Adam Smith, for in translating the last sentence but one I have adopted his words.⁵ But Aristotle's description of value as depending on demand, *χρηα*, approaches much more nearly to perfect accuracy than Smith's who, by adopting labor as a measure of value, and talking of labor as never varying in its own value, has involved himself and his followers in inextricable confusion. I have been forced in my translation to omit some passages, and to paraphrase others, for the whole passage literally translated would in many places be unintelligible. It appears to me to have been very hastily written, and never corrected, for I cannot account for its omissions and repetitions, and the sort of rambling backwards and forwards manner in which it is put together, but by supposing it to be a mere note of Aristotle's opinions on money, put down by him in the order in which they first occurred to his mind and solely for his own use. It contains, however, more valuable hints on the doctrines of money than any other passage ancient or even modern with which I am acquainted. The only point in which Aristotle appears to me to have been mistaken is in supposing (if that be the correct interpretation of the passage, *εφημιν μεταβαλλην και ποιησαι αχηνον*) that money may owe not only its currency, but its value, to convention.

It might at first sight appear that a commodity which no person thinks of applying to his own gratification, which he takes only to part with as soon as possible, which, to use a common phrase, "burns in his pocket," need not possess any direct utility, but if limited in supply might circulate from hand to hand however useless, each taker relying on his neighbor's willingness to receive it. But it is impossible to conceive how any useless commodity could have begun to circulate. Nothing but experience could show its circulating power and how could that experience have arisen? A bank note may be proposed as an instance of such a commodity. But a bank note is not money, it is a promise to pay money. The taker trusts not to the note, but to the honesty and solvency of those who issue it—a confidence⁶ often lamentably misplaced.* ²⁵⁰

2. Ideal Qualities Requisite for Money. We will now inquire what are the qualities which fit a commodity to be a medium of

exchange, a measure, and a representative of value; or, in other words, to serve as money.

The first is, as [previously] observed, that it be valuable: that it be capable of affording gratification, and be limited in supply. The next requisite is that it be of uniform quality. This is indeed merely an explanation of the expression *one* commodity for a commodity of which the specimens differ in quality is not *one* commodity: it is a common name for as many different commodities as there are differences in the qualities of the specimens.

Another is that it be divisible without injury into parts small enough to be equivalents for the least valuable articles commonly exchanged. Inattention to this requisite produced great inconvenience [some] years ago in Malta and the Ionian Islands. Sir Thomas Maitland recoinced the copper money within his government, but issued no pieces of less value than an obolo, about half a farthing. He was not aware that in a country where the ordinary wages of labor are twopence a day, many commodities must be of a less price than half a farthing. These exchanges had previously been effected by a currency of less value than an obolo; and the want of it was as sensibly felt as we should feel in England the want of halfpence and farthings.

A fourth requisite is that it be portable: that its transport be neither expensive nor dangerous. This quality seems necessary to enable money to act either as a medium of exchange or a measure of value. It is needless to insist on the unfitness of a bulky commodity to be in a state of continual circulation; and as both the utility and the limitation in supply of such a commodity would in a great measure depend on its situation, it would cease as far as value was concerned, to be one commodity. It must be admitted, however, that complete portability is a requisite which money cannot attain. Whatever be its substance it cannot be carried a thousand miles without some expense and some risk; and a very moderate degree of portability is inconsistent with the third requisite, a great divisibility.

A fifth requisite is that it be durable. If it were liable to rapid destruction by the wearing away of its external surface, the expense of keeping up the stock would be intolerable. If its deterioration from the effect of time, like that of pearls, were general throughout its whole substance, however slow, it would lose the character of one commodity. It would consist of as many different commodities as there were moneys current of different degrees of freshness.

The last requisite is steadiness in value: that as far as is possible it be unsusceptible of alteration in utility and supply.

Of these six requisites, the two first—value and uniformity—may be obtained completely. The four last—divisibility, portableness, durability, and steadiness in value—admit only of approximations. And there appear to be only two substances existing which, while they possess the two first requisites, approach sufficiently to the four last to be capable of constituting the money of a nation in an advanced state of civilization.

These substances are, of course, gold and silver. Gold is perhaps the most ornamental substance in nature. No coloring is so rich as gilding. It is the most cleanly and the most ductile of metals. And if it could be obtained in sufficient quantities, it would probably supersede the ordinary use of every metal, except iron. It possesses utility, therefore, in a very high degree. It is limited in supply by the most stubborn of all obstacles,—the great amount of simple labor necessary to obtain the smallest particle of it. [The reader is] probably aware that very little gold is obtained by sinking mines, or by disengaging the metal from chemical combination with a considerable mass of extraneous substance. Almost all that we have is procured—and that nearly pure—by washing the deposits of auriferous streams: an employment which requires labor and patience, but gives little room for skill or machinery, the principal sources of the additional supplies of other commodities.

It wears away slowly under considerable friction; it is not subject to decomposition from the action of the atmosphere; and it can be melted and recast at little expense and without sensible loss. These qualities, especially the last, render it the most imperishable of substances. Precious stones and pottery are indeed as little subject to atmospheric injury, and less so to the effects of friction, but their value principally depends on the cohesion of their parts. A blow with a hammer may split a diamond into fragments comparatively valueless, but if a sovereign were ground to powder it would not lose quite 1/200th part of its value.

These circumstances render the existing quantity of gold less subject to rapid alteration than that of any other commodity. Its great utility and the force of the obstacles which limit its supply, give it great value. Its great value occasions it to be carefully preserved and its great durability enables that care to be effectual. The annual supply and the annual waste bear a very small proportion to the whole quantity in use, they probably neither of them

amount to 1/300th part of it. If the annual supply were to be doubled for ten years successively it would only add a 1/30th part to the whole quantity in the market; it would not add so much, as the annual waste would also be somewhat increased. Gold therefore has all the steadiness of value which can arise from its quantity being remarkably unsusceptible of sudden variation.

As to ease and safety of carriage, it possesses them in a higher degree than any other substance of equal value, except perhaps precious stones. But it is not sufficiently portable to be a convenient medium of exchange in large transactions. If I were to sell an estate for 10,000 sovereigns, and had to walk away with the price on my shoulders, I might meet the fate of Correggio who is said to have died of the fatigue of carrying home the sack of copper money which he had received for a picture.

On the other hand, its value is too high to allow it to be conveniently used in the minute particles which alone would serve as equivalents in the smaller exchanges. A silver penny is too small for use; yet it is more than fifteen times as large as a gold one would be.

This difficulty has occasioned the use of silver and copper as money.

Silver is as uniform in quality as gold, and nearly as durable, and may be divided without inconvenience into pieces of much less value. In the other requisites it is inferior to gold, though superior to any other substance. It is less useful, limited in supply by obstacles which are less permanent, for they may be diminished indefinitely by skill and machinery, more unsteady in value and less portable.

Copper is quite unfit to serve as money. Its quality is not uniform, and the expensiveness of its carriage must render its value much dependent on its situation. The annual supply and consumption are both irregular and bear a great proportion to the whole quantity in the market. Its value therefore is very unsteady. [In the middle of 1826 the] price of a ton in London [was] £105; in the latter part of 1816 it was £85; in the beginning of the same year £130. Russia is, I believe, the only civilized country of which copper is the main currency; and a very accurate observer, M. Storch, dwells on the inconveniences which have followed. Nature appears to have pointed out gold and silver, or, as they are usually called, the precious metals, not merely as the best, but as the only fit materials for money; and, as I have before observed, their first

application to that purpose is so ancient that all record of it has perished.* 251

3. Origin, Purpose, and Control of Coinage. Coinage, the only improvement which the precious metals, considered as money, can receive from art, was the invention of a period equally remote. In the first transaction in which silver is mentioned as a medium of exchange, the purchase by Abraham from Ephron of the field of Machpelah, the purchase money is said to have consisted of 400 shekels of silver current money of the merchant. From the statement in our translation that Abraham *weighed* the 400 shekels of silver to Ephron, Adam Smith supposed that the price was paid not in pieces of metal of a definite size, covered by a stamp, which would denote their weight as well as purity, or, in other words, in coins, but in bars, of which the purity only was ascertained by a partial stamp, like the tower mark on English plate. But the ablest of Adam Smith's commentators, M. Garnier, who was also a diligent investigator of numismatic antiquities, states that the Hebrew word which we have translated "weighed" signifies also "to pay" like the Latin *pendere*; and he has, I think, succeeded in proving the shekel to have been a coin. He has also employed a great deal of very ingenious, and, to me, very plausible, reasoning to show that the sheep and oxen described as constituting a principal part of the riches of Abraham and his immediate successors were merely gold and silver coins; and that coins, not herds and flocks, are generally meant by Moses and Homer when they speak of oxen and sheep as constituting wealth, or measuring value.

The only important advantage derived from coinage is the ascertaining the comparative purity, or, in metallurgic language, the fineness of the metal. The precious metals are too soft to be used in a state of perfect purity. A small portion, called an alloy, of some harder metal is added to them or left with them to enable them to retain their forms under the constant friction which they have to undergo. The proportion which the alloy bears to the pure metal can be ascertained only by the troublesome and expensive process of assaying.

The use of gold and silver as commodities must obviously have preceded their use as money. And it is equally clear that the practice of refining them, that is, of disengaging silver from the extraneous substances of which the ore is principally formed, and of converting gold dust into a solid body of uniform fineness, must have been almost coexistent with their use as commodities. The

refiners would naturally ticket, or stamp every ingot of gold and bar of silver as it left their hands with a mark denoting its fineness and weight. But a stamp cannot be an effectual certificate of the quantity of a piece of metal unless it covers the whole surface. On the other hand, the commodity used as money must be divided into portions small enough to form equivalents for commodities of trifling value. Even with our knowledge and machinery we find the casting the precious metals into small pieces, and stamping the whole surface of each of them is an expensive operation. It must have been much more so, in the rude times which I am considering. We may be sure that it was not wantonly undergone, but was confined to that portion of the precious metals which was destined to be used as money.* 252

From the time at which our acquaintance with the civilized world begins, until the seventeenth century, it has been the usual policy of governments to retain in their own hands the coining of money. [But, as I have said before,] to ascertain the fineness of a piece of metal is a troublesome and expensive process. It cannot therefore pass from hand to hand with the rapidity which the functions of money require, unless it carry some stamp in which the public confides, denoting its quality; and it seems to have been generally supposed that none but a government could be intrusted with the affixing such a stamp. As population and wealth and intercourse increased, as men became known to one another, and public opinion made fidelity to engagements a commercial point of honor, it was found that a promise to pay a sum of money on demand, signed by a person in good credit, is of the same value as the money, and for some purposes more convenient. And it was also found that this convenience enables such promises to circulate as money for a considerable time—sometimes two or three years—before some holder requires the promise to be performed. The maker of such a promise, or, as it is usually termed, Note, is a borrower who pays no interest; and by employing the fund in return for which it was issued, he may make a profit proportioned to the average amount of his notes in circulation.

It is difficult to perceive the grounds on which governments, which so jealously reserve to themselves the privilege of coining metallic money, should so frequently and so easily have allowed subjects to coin paper money. It is often as difficult to ascertain the value of a note as that of a sovereign. Indeed, much more so, since the senses give no assistance. Paper money may be issued in

excess, which can scarcely be the case as to metallic money, and that excess may be very mischievous. And as its issue is profitable, while coining metallic money is generally a loss, there is always a danger that it will be so issued. But notwithstanding these *a priori* grounds for expecting the contrary, most governments have allowed their subjects, or certain portions of their subjects, to issue notes with little restraint or even superintendence. No European government has done this more freely than the British. It has gone, indeed, far beyond mere permission. It has relieved the issuers of notes from individual responsibility, by creating in all the three kingdoms incorporated or chartered banks, in which only the funds of the institution are liable to its engagements.* ²⁵³

4. Metallic versus Paper Currency. [A most profound and original exposition of the theory of paper money—a subject which will be considered at length hereafter—is contained in Lord King's] *Thoughts on the Effects of the Bank Restrictions*, dated May 20, 1803. When this publication appeared, we had not had the Report of the Bullion Committee; we had not had Mr. Ricardo's Pamphlets; the subject had not been considered year after year in and out of Parliament by the ablest men, theoretically and practically, in the kingdom; and, above all, we had not had the experience of the sixteen years which followed. We had passed from war to peace, and from peace to war, without any great commercial or monetary crisis. It required great sagacity to perceive, through so tranquil a surface, the ultimate tendencies of a law which seemed to work beneficially. Lord King's essay appreciates so justly the half-hidden dangers which surrounded the path we were treading, that it might be supposed to have been written in 1814 instead of 1803.

Lord King begins by fully admitting the advantages of a convertible paper currency. Perhaps he rather exaggerates them, or at least underrates the disadvantages.

It is (he says) one of the most usual objections to such a currency that by introducing a new quantity of the circulating medium, it occasions a depreciation of money, and a consequent advance of prices; whilst, on the other hand, writers of great authority, and among them Dr. Adam Smith, have asserted that as each portion of paper displaces an equal quantity of coin, the value of the precious metals is not affected. This opinion, though much nearer the truth than the former, and though it may be considered as true for all practical purposes, is not, however, a correct representation of the fact.

The metals, which by consent of mankind are used as the representatives of value, are employed either in manufactures, or as current coin, or in the form of bullion, for effecting the exchanges between nations; and their value will consequently depend upon the degree in which the supply for these different purposes is proportioned to the demand. It must rise or fall as the demand in each particular instance is increased or diminished. If, for example, by any change in the manners and customs of Europe, the use of gold and silver-plate should be entirely laid aside, the price of those metals must, of course, be greatly reduced. The substitution of paper for specie is a fact of the same nature, and has a similar influence on prices. So far as it displaces the coin which would otherwise be employed, it diminishes the demand for those metals for the purpose of coinage, and has precisely the same effect in reducing their general value as an actual increase of quantity to the same amount.

On the supposition, therefore, of the whole quantity of gold and silver remaining the same, they must, in a certain degree, be rendered cheap by every increase of paper currency. But as these metals are in universal request, and circulate more generally than any other articles of commerce, the effect thus produced cannot be partial, but must extend to all other countries; and it will therefore follow, that the actual reduction in the value of gold and silver which is produced by the paper circulation of any particular country, is in the proportion of the amount of such circulation to the whole quantity of the precious metals applicable to the purposes of coinage and commerce throughout the world. It is probable that this proportion can never be very great, and experience seems to show that no considerable depreciation is ever produced in this manner. Previous to the Revolution in France, the currency of that extensive country was carried on almost entirely in silver; and the rapid emission of assignâts, which was the consequence of that event, must have very suddenly withdrawn a considerable quantity of that metal from circulation. Yet this violent operation does not appear to have produced any perceptible effect upon prices, or even upon the value of silver in Europe. The extension of paper credit, which takes place in common times and under ordinary circumstances, can only produce a very gradual depreciation, which, being shared by the world at large, is not felt as an inconvenience by any particular country.⁷

This is perfectly true as to the ultimate effects of a paper currency. The gold and silver which it displaces are added to the general stock of the world. The two metals which, next to iron, are the most useful, become less rare; and a silver fork, or a gold watch, may be obtained with less labor than before. Even the general rise of prices which accompanies the progress of the change is, on the whole, beneficial. It is necessarily very slow. Lord King has well illus-

trated this by the example of the slight effect produced by the vast amount of specie thrown into Europe by the French Revolution. And a slow but permanent rise of prices, like that which the supply of gold from Russia seems now [1846] to be occasioning, gives activity to all producers and dealers, without materially inconveniencing those whose moneyed incomes are fixed. The world in general, therefore, is a gainer, by the substitution in any particular country of paper for a portion of the coin which it previously employed. And that country itself gains by saving the wear and loss of coin, and the interest on a portion of its capital, which, though eminently useful, was not directly productive.

But while the progress of substitution is going on—unless it be so gradual as scarcely to be perceptible—unless it be so slow as to act rather by preventing the precious metals from coming in than by driving them out—the country which is effecting that substitution must suffer. It is only by means of a general depreciation of its whole currency that it can occasion a portion of it to be exported. The expense and risk of exporting coin, especially silver, are considerable. Until the exchange is unfavorable to a country, in an amount which will pay this expense and risk, and afford a profit, no coin can be exported. The coin, and the newly introduced paper, must for a time circulate together. The increase of the quantity of the currency, without an additional demand, must depress its value; or, in other words, the price of labor and of materials rises. The cost of production, therefore, of native commodities is increased; and as foreign prices have not increased, they cease to be remunerative. At the same time it becomes profitable to import some foreign articles which previously could be produced more cheaply at home. Exports diminish, and imports increase. The exchange falls until metallic money can be profitably exported. This export goes on until the gradual diminution of the currency restores its value, or, in other words, reduces prices to their natural level. It is then, but not before, that the transaction becomes beneficial. During the interval there is certainly great commercial derangement—probably ill-founded speculation at one time, and at another ill-founded depression. While prices are rising, operations are begun and perhaps completed, and engagements contracted, which can succeed or be performed only on the supposition that the rise will increase or at least be permanent. While prices are falling, undertakings, however judicious, of which the returns are slow, and which require therefore immediate support, are in

danger of being abandoned in consequence of the general want of confidence, and therefore of the credit which depends on confidence. And those of which the returns are quick may become ruinous, since the money returned may often be less than the money advanced.

[According to] Lord King, a paper currency can be kept at a value equal to that of the coin which it represents only "by being immediately convertible into specie at the option of the holder."

Theoretically, it seems that any currency, however intrinsically valueless, may be kept at its nominal value by being received in payment of taxes, and limited to the amount required by the public; and that that amount may be ascertained by watching the foreign exchanges, and diminishing the quantity issued, the instant it falls below the value of its supposed foreign equivalents. But this duty has never been perseveringly performed by a government or by an individual. The power to issue inconvertible paper has never been granted or assumed without being sooner or later abused. The same temptations to overissue do not exist with respect to a subsidiary currency, which is not a legal tender, except for very small sums. The silver currency of the British Islands is inconvertible, and is worth less than the silver which it represents. As, however, a small overissue would not be profitable, and a large one would be refused by the public, it is kept within its proper limit. But as respects the main currency of a country, Lord King's principle is practically and at the long run true.* ²⁵⁴

CHAPTER II

THE MECHANISM OF CREDIT AND EXCHANGE

1. The Nature of Inland Exchange. 2. The Nature of Foreign Exchange. 3. International Trade and the Fluctuation in the Rate of Foreign Exchange. 4. Effect of the Transmission of the Precious Metals from Country to Country. 5. The Rôle of Bankers in the Organization of Credit and Exchange.

1. The Nature of Inland Exchange. I propose in the present [chapter] to consider a peculiar and important attribute of the precious metals when used as money: that their value is almost entirely independent of locality. The commercial ubiquity which I attribute to the precious metals may appear to [the reader] questionable. It certainly is not the received doctrine.

It is well known (says Mr. [James] Mill) that money is more valuable, that is, goes farther in the purchase of commodities, not merely in one country than in another, but in one part than another of the same country.

In some of the more distant parts of Wales for example, money is more valuable than in London; in common language, we say that living is more cheap, in other words, commodities may be purchased with a smaller quantity of money. And this state of things is habitual, money having no tendency to go from London, where its value is low, to increase its quantity in Wales where its value is high.⁸

Because 1,000 sovereigns will purchase 200 acres of land in Wales and not one in London, Mr. Mill considers money estimated in land of greater value in Wales than in London. But 1,000 sovereigns in London will purchase just as much Welsh land as 1,000 sovereigns in Wales. If there are two purchasers in an auction room at Carmarthen, one of whom has his bag of sovereigns in his hand, and the other Bank of England notes of equal amount (which are only an authority to receive a given amount of sovereigns in London), we shall find that the notes purchase just as much land as the sovereigns. To take another example, 1,000 sovereigns will purchase 1,000 chaldrons of coal in Newcastle, and only 500 in London, but it does not follow that 1,000 sovereigns in Newcastle are of more value, estimated in coal, than 1,000 sovereigns in London.

The fact is that a person in Newcastle having 1,000 sovereigns in London will be able to purchase with them just as much Newcastle coal as if he had the sovereigns with him. The only inference from all these facts is, that 1,000 sovereigns in London, Wales, or Newcastle, though of precisely equal value themselves, exchange for different quantities of what are in fact different commodities: exchange in a different proportion for coal in Newcastle and for (what is a different commodity) coal in London; just as they exchange in different proportions for coal and diamonds.

But how are we to account for this uniform value of money in so extensive a country as England—a quality in which no other commodity participates? Partly without doubt from its portableness. But a bar of gold weighing 20 pounds is as portable as 1,000 sovereigns, and yet such a bar in Liverpool would not exchange in the London market for as much as a similar bar in London. The purchaser would deduct from its price the expense of transport. In the case of the sovereigns he would make no such deduction. The principal cause is that in the case of the sovereigns he does not expect the expense of transport to be incurred. Every day many purchases are made in London by persons whose money is at Liverpool, and in Liverpool by persons whose money is in London. But the payments are not made by a transport of money, but by an exchange of debts, or in commercial language by *bills of exchange*.

The nature of a bill of exchange will be best illustrated by an example. Suppose A in London to have purchased of B in Liverpool cotton to the amount of 1,000 sovereigns; and C in Liverpool to have purchased of D in London, indigo to the amount also of 1,000 sovereigns. It is the interest of all parties that the expense of sending the money backwards and forwards should be avoided. As there is a debtor and a creditor to the same amount in each town the means of effecting this are obvious. Each creditor writes a note to his debtor directing him to pay the debt to the bearer of the note. This note is called a bill of exchange. It is said to be drawn *by* the person writing it, the creditor, *on* the person written to, the debtor. B, the Liverpool creditor, sells to C the Liverpool debtor, for 1,000 sovereigns his bill on A; and D the London creditor sells to A the London debtor for 1,000 sovereigns his bill on C. B and D, the two sellers, have thus each received payment for their cotton and indigo. A and C, the two purchasers, having exactly equal demands on each other, exchange the two bills; and the whole transaction is ended without the intervention of money.

An adjustment of this nature is so obviously the interest of all parties that we may be sure it will take place whenever the reciprocal debts between two places are precisely equal. It may be supposed however that when a balance is due from the one to the other that balance will be transmitted in money. But this does not necessarily follow. It may be adjusted through the medium of some third place, with which each of the former places has commercial relations. Thus, if Liverpool owes £100,000 to London and London £150,000 to Liverpool, and Liverpool owes a balance of £50,000 to Manchester and Manchester owes a balance of £50,000 to London, London and Liverpool may adjust £100,000 of their reciprocal debts by the exchange of bills. And they may adjust the remainder at Manchester: the £50,000 due from Manchester to London being employed in discharging the £50,000 due from London to Liverpool, and from Liverpool to Manchester.

These transactions sound intricate in my statement but far more complicated ones are managed without difficulty in practice. In every commercial country there are individuals whose trade is to effect the receipts and payments of the rest of the community. Their constant communication, aided by the number and variety of the transactions which pass through their hands, enable them to avoid to a surprising extent the actual transport of money.

As long as the debts between London and Liverpool are capable of being adjusted without the transport of money, either by a direct exchange of bills or by an exchange of their respective debts and credits at third places, the exchange between them is said to be at *par*. And equal sums of money in each place are of precisely the same value. A given sum of money in London will buy as many Liverpool commodities as could be purchased with the same amount of Liverpool money.

But cases constantly occur in which this direct or circuitous adjustment cannot take place. This state of things occasions bills of exchange to be at a premium or a discount; and money in one place to be more valuable than in another. Suppose that when London owes Liverpool £100,000, Liverpool owes London £150,000 and has no balance due to her from any place having commercial relations both with herself and London. Suppose the expense of sending money from Liverpool to London to be $\frac{1}{8}$ per cent; or one sovereign in 800. It would be worth while to any Liverpool debtor to pay a premium not exceeding $\frac{1}{8}$ per cent for a bill on London. It would be worth while to the Liverpool creditors to sell their

bills on London for any premium whatever; but they would, of course, demand as much as they could get. The exchange might be against Liverpool, and in favor of London $\frac{1}{8}$ per cent; it could not possibly be subject to a greater variation from par, as no Liverpool debtor would pay more for a bill on London than the cost of actually remitting the money. £100,000 of the £150,000 due from Liverpool would be adjusted by an exchange of bills, and the remainder might perhaps be remitted in money. The exchange would then be again at par, but in the meantime money in London would have been $\frac{1}{8}$ per cent more valuable than money in Liverpool.

As the expense of transporting it is the only cause which can give money local value, and is the utmost limit of that value, and as the mint is in London it may be supposed that money must always be of rather less value in London, the place where it is issued, than in the country after having borne the expense of carriage. The reverse is however the case: the exchange between London and any other place in Great Britain, if it deviate from par is almost uniformly in favor of London. A bank post bill, which is an order to receive a given amount of money seven days after presentment at the Bank of England, is, out of London, equivalent to ready money. A London tradesman taking such a bill at par would think he conferred a favor. And yet as all money is originally issued in London it is clear that more money must be sent from thence than is brought thither. I am not sure that I can account for this phenomenon satisfactorily. The only explanation I can offer is the supposition that a great part of the remittances from London to the country is made in sums carried by travelers with little inconvenience about their persons, and of so small an amount in each instance, that the expense of carriage which does not amount between London and Edinburgh to more than 5s. per cent,⁹ is not worth calculation. On the other hand, the remittances from the country to London consist in a great measure of large sums, comprising the periodical payments of the revenue, of rents, and of the settlement of accounts between retail dealers and their wholesale London correspondents. So that although on the whole the country receives more than it pays, yet, if those payments which are large enough to make the exchange worth calculation are alone considered, it pays more than it receives.* ²⁵⁵

2. The Nature of Foreign Exchange. I have hitherto considered only the local value of money in places using the same coin; or, as we usually call it in Great Britain, the inland exchange. The

reciprocal value of the moneys of different countries using different coins, or, as it is usually termed, the foreign exchange, is governed by the same principles although their application is more complex.

I think the clearest mode of treating the subject will be to ascertain how international commerce can be carried on without the use of bills of exchange. We have seen that one of the uses of money is to serve as an expression or representative of value. Every merchant estimates in the money of his own country his advances and his returns, and considers the excess of the latter as his profit. Both his payments and his receipts abroad must consist of foreign money, and if the precious metals were not the common medium of exchange, or, if they could not be converted without loss, and at a trifling expense, from one form to another, considerable difficulty would exist. A trade between two nations, one using furs as money, and the other salt, could be carried on only by barter. But where the money of a nation is formed of one of the precious metals, the difference between the values of equal quantities of that metal in bullion and in coin is confined within narrow limits.

A government which prohibits the exportation of coin and permits that of bullion may sometimes degrade the value of the former. But such a prohibition is so easily evaded that the utmost limit of the depression which it can produce is probably within five per cent. The power of government to raise the value of coin above that of bullion is apparently greater; since in the latter it is assisted instead of being opposed by the natural state of things. If a government could effectually monopolize the power of coining, the value which it might affix to its coins appears limited only by the smallness of the amount which it should think proper to coin. But a government can retain the exclusive power of coining only while the excess of the value of coin above that of bullion is insufficient to compensate the expense and risk of private coinage. I think it probable that an excess in the value of a silver coinage over the bullion of which it was formed amounting to ten per cent, and an excess in the value of a gold coinage amounting to seven per cent would be sufficient to occasion an influx of coin from unauthorized mints, worked if not in the country, in neighboring states. The expense of coining gold at the British Mint, exclusively of the first cost of the machinery, does not amount to $\frac{1}{2}$ per cent; that of silver is about treble. And when we consider that the operation might be repeated every fortnight, giving an annual profit (from which however the cost of the machinery must be deducted) of more than

150 per cent, and that the unauthorized coin would in general be incapable of detection, I doubt whether private coining would not begin even earlier than I have supposed.

It follows that where the currencies of two nations are composed of gold the utmost difference between their values, not taking in the cost of transporting them from the one to the other, cannot exceed twelve per cent; and where they are of silver, fifteen. These differences can exist only supposing the coin of the one to be raised, and that of the other to be sunk, as compared with bullion, to the utmost possible point. But if the coins of each vary in value from bullion in the same direction the variations so far as they are equal compensate one another. If twenty sovereigns and twenty-five napoleons each contained five ounces of pure gold, and the English and French currencies were each in value five per cent below the value of its weight in bullion, the sovereigns and napoleons would, *cæteris paribus*, be of precisely equal value. An English merchant having to pay twenty-five napoleons in France would be able to purchase with his twenty sovereigns either 1/20th more or 1/20th less than five ounces of gold, which would sell in France for twenty-five napoleons. If the coin of each country were exactly equal in value to its weight in bullion, it would pass from the one to the other without being reduced into bullion. If the coin of the one coincided in value with bullion, and that of the other varied from it, the former in her receipts would take the coin of the one on the same footing as her own, and in her payments would be allowed, or have to account for, the difference between the values of bullion and coin in her neighbor. When the currencies of two countries consist of different metals, as is in fact the case with England and France, the currency of England being gold, and that of France silver,¹⁰ the adjustment of their accounts is less simple; as the reciprocal value of the two metals, a proportion which is always changing, must always be estimated. When a French jeweler sends clocks to England he must first calculate in francs the expense of making and exporting them, then their price in sovereigns in London, then the silver bullion which those sovereigns will purchase in London and lastly the francs which he can obtain for that bullion in Paris.

If I have succeeded in explaining this very abstract subject, I have shown that the precious metals perform the same offices in international as in domestic commerce. But it may be objected that the trade between nations is a trade of barter. It is true that it is

ultimately so, and so is that between the different towns and districts of the same country, but not primarily. The trade between London and Sheffield is ultimately a trade of barter in which London receives hardware and returns the produce of India and the colonies. But the Sheffield cutler is not paid in tea, nor does the Sheffield grocer make his payments in cutlery. The cutler is entitled to be paid and the grocer is bound to pay in money. We have already seen that the passage of money to and fro between Sheffield and London is avoided by means of inland bills of exchange; the Sheffield creditor directing his London debtor to pay to the London creditor of his own townsman, and looking to the latter for his own reimbursement. It is the same between different countries. The Parisian clocks are perhaps ultimately paid for with English hardware, but that is not the payment on which the French jeweler relies. He sells his clocks for sovereigns; and, if the foreign exchange did not perform for him analogous services he would direct the sovereigns to be laid out in the purchase of silver bullion, have that bullion sent to him, and take it to the Paris Mint to be coined. This operation involves some risk, expense, and loss of time. It is to avoid these inconveniences that bills of exchange have been introduced; and it is the amount of these inconveniences which limits the premium for which a bill can be sold.* 256

The peculiarity of bullion is, that it is a commodity in which every person in every civilized nation deals. Whenever two nations have commercial relations, some of the inhabitants of each have at the same time to send money to some of the inhabitants of the other. This exists with respect to no other commodity. In a state of perfect commercial freedom, persons in London might sometimes wish to export wheat to Paris, and persons in Paris wheat to London, but these transactions could not be going on simultaneously. Macclesfield is now sending silks to Paris, and Lyons silks to London, but they are silks of different kinds. But there is not a day in the year in which it does not happen that many thousand persons in London wish to send gold to Paris, and many thousand persons in Paris wish to send gold to London; the gold being in each case one identical commodity. Of course, it is convenient for both parties to save this double transmission; and the commodity being in all cases the same, the saving is effected by the London debtor paying the London creditor, and the Parisian debtor the Parisian creditor. If the sums to be transmitted from each side are equal, no money need actually pass, and the exchange

therefore is at par. Under such a state of things a given amount of money in each country is, as respects the other, of precisely the same value, and possesses therefore a sort of ubiquity. A man whose money is in Paris may purchase with it a London house as easily as if his money were in London.

Now this, I repeat, is a state of things peculiar to money. Every other commodity has a peculiar local value. It rises or falls the instant that it is moved. It moves, therefore, always in the same direction, from its place of production where it is cheapest, to its place of consumption where it is dearest. London never owes wheat to Danzig or deals to Memel; but it always owes gold or silver to every country in Europe, and every country in Europe owes gold to London. This state of things—a state, I repeat, peculiar to the precious metals, and belonging to them only because they serve as money—enables the exchange between two countries, whose debts immediately payable are precisely equal, to be at par; and while it is at par, no bullion can be transmitted from the one to the other, since the whole cost of its transmission would be a pure loss. The instant the debts due from one country to another exceed its credits on that country, the exchange becomes unfavorable to the indebted country; and immediately, as between those two countries, bullion loses its ubiquity. It falls into the general bulk of commodities, and acquires a local value—that is to say, it becomes of more value in the creditor than in the debtor country—and then, and then only, it can be sent from the one to the other.* ²⁵⁷

3. International Trade and the Fluctuation in the Rate of Foreign Exchange. The foreign exchange is the bartering the right to receive a given amount of the money of one country for the right to receive a given amount of the money of another country. The terms on which every such bargain is made depend on the result of three inquiries. The first is, what amount of the coin of each country contains a given quantity of pure gold or silver. The answer to this question decides what is the metallic par of exchange between the two countries, or the proportion in which their respective coins would exchange, supposing their value depended on the quantity of pure bullion they respectively contained.

Where the money of two nations is composed of the same metal, and bears value precisely in proportion to its weight in bullion, the metallic is the only par of exchange. But where there is not this complete coincidence, and of course it is unusual, a further inquiry is necessary. A debt in England is the right to receive a given

amount in sovereigns; a debt in France, a right to receive a given amount in francs. Before the English and French creditors can exchange their claims they must ascertain the reciprocal values of gold and silver. Again, when two nations use the same metal, it is necessary to ascertain how far the coin of each varies in value from the bullion it contains. Though the dollar of Spain and the dollar of the United States each contain precisely 370 grains of pure silver, either of them may be worth somewhat more or somewhat less than the silver it contains. When all these elements have been calculated there is obviously some point at which mutual debts between two nations are considered as balancing one another. There must always be some given quantity of the money of one considered in practice as representing a given quantity of the money of the other. This point of equilibrium or equivalency is the commercial par of exchange. It is the only par which can exist between nations whose currencies are not formed of the same material. Where the same metal is used the commercial par must always bear an intimate relation to the metallic par. It has been shown that where that metal is gold the utmost difference that can exist between the commercial and the metallic par does not amount to twelve per cent, and where it is silver to fifteen per cent; and I question whether the difference ever does exceed five per cent.

Where the money of two nations is not formed of the same metal, the commercial par of their respective currencies may be ascertained with equal accuracy, provided the two metals exchange for one another in each nation in the same proportion. The necessary steps are to ascertain, first how much of the money of each nation will purchase a given quantity of the metal of which it is formed, and secondly the relative values of the two metals. Thus, if ten sovereigns in England will purchase two ounces of gold, and 250 francs in Paris will purchase thirty ounces of silver and the relative values of silver and gold in each country are fifteen to one, the commercial par of exchange between England and France will be one sovereign for twenty-five francs. A debt of 100 sovereigns in London, and a debt of 2,500 francs in Paris, each representing the same amount both of gold and silver might be exchanged for one another. If, however, the relative values of gold and silver were different in the two countries; if an ounce of gold were worth sixteen ounces of silver in Paris, and only fourteen in London, the want of a common measure would make it impossible to determine the par with accuracy. It is clear that there would be such a par, a relation

which given sums in their respective moneys would bear to one another, when the mutual claims of the two countries were exactly balanced; but that point could not be ascertained *a priori*, and would probably be always matter of dispute.

It is very seldom, however, that the relative valuation of the precious metals differs among commercial nations. A country like Japan,¹¹ which rejects foreign commerce and produces her own gold and silver, may determine their relative value upon grounds peculiar to herself; and we are told that within those islands gold exchanges for silver in the proportion of one to ten. It is probable, too, that if there were two commercial countries, one possessing abundant mines of silver and the other of gold, they would estimate differently the metals in which they were respectively deficient and abundant. But subject to these exceptions, we may state the general proposition that, as throughout the commercial world the difficulty of obtaining a given quantity of gold bears at the same time the same proportion to the difficulty of obtaining a given quantity of silver, *the relative contemporary value of gold and silver is uniform throughout the commercial world*. It is true that there is no uniformity in the relations to which the mint regulations of different states have attempted to subject them. But these regulations, like all other attempts to fix value by authority, are disregarded in commerce.

The last inquiry affecting in its result the foreign exchange is the expense, risk, and loss of time attending the transmission of coin or bullion from the one country to the other. On this depends the extent to which the exchange between any two countries can vary from its commercial par, since no one would knowingly give for a bill of exchange more than an equivalent for the inconvenience of transmitting its value in bullion or money.

Of the three inquiries which I have described as regulating the exchange between two countries, the first only requires that a sufficient number of the coins of each country should be weighed and assayed, and the results compared. But this examination must be frequently repeated. The currencies of most nations are renewed in large masses and at considerable intervals. From the time of a great coinage the bulk of the currency is in a state of constant deterioration, and is sure to become mixed with an illicit coin of less value as soon as it is so worn that its lightness makes illicit coinage profitable, and the obliteration of the impress makes it easy. There are few governments too that have constantly

abstained from alterations in the purity or the weight of their coins of the same denomination. These facts are enough to prove that every statement of the metallic par between two countries must quickly become obsolete.

The commercial par is liable to vary with every variation of the metallic par. So far as it depends on the relative values of gold and silver it varies with every alteration in the supply or demand of either metal. And so far as it depends on the relative value of coin to bullion in each country it must be affected by every alteration which either nation makes in her regulations as to coinage or bullion, on the earnestness with which these regulations are enforced, and on the means and the motives of evading them. The point of equilibrium, therefore, between the currencies of two countries—the proportion in which they would be set against one another if the mutual debts of the two countries were capable of exactly discharging one another—must be constantly fluctuating.

The third inquiry, the expense of transporting the precious metals, is a very simple one if the countries in question are neighbors and at peace. If they are distant the loss of time, or, in other words, the interest becomes an important element. A remittance from India to England can seldom be made in less than six months. And, as the market rate of interest in India varies from fourteen per cent to six per cent per annum, this cause alone must occasion great fluctuation in the rate of exchange between the two countries. The risks of war affect it still more. The whole cost of sending the precious metals from London to Hamburg does not at present amount to one per cent; in 1810 it exceeded seven.* ²⁵⁸

We have already seen that the trade between any two countries is governed by the prices in money, of their exportable commodities. While the Manchester spinners obtain the same price for their yarn by selling it at home, or exporting it to France, it is indifferent to them how they dispose of it. Some will manufacture for the one market and some for the other. But the slightest addition to the profit to be obtained in the foreign market will of course give it an immediate preference. The slightest alteration in the exchange in favor of France will be such an addition.

Suppose the commercial par between England and France to be (in the existing proportionate values of gold and silver) twenty-five francs for a sovereign and the expense of transmitting the precious metals from London to Paris to amount to five per cent. It is obvious that no state of the exchange between the two countries

not deviating in favor of the one or the other to the amount of five per cent from the commercial par could occasion an export of the precious metals. Since no Londoner having 2,500 francs to pay in France would transmit thither 100 sovereigns or an equal amount in bullion, at the expense of £5, if he could buy for £104, 19s. 11¾d. a bill on Paris for 2,500 francs. It is equally obvious that the exchange could not possibly vary more than five per cent from the commercial par, since no Londoner would pay more than £5 for a bill on Paris for 2,500 francs, when 100 sovereigns transmitted to Paris at an expense of £5 would exchange there for 2,500 francs.

Suppose an extraordinary importation of corn or claret or the negotiation of a French loan in London were to create such an excess of the Paris bills on London over the London bills on Paris as to vary the exchange between London and Paris to four per cent in favor of Paris. While the exchange was at par the Manchester spinner could by the same sacrifices on his part obtain indifferently 100 sovereigns in the home market, or a bill on Paris for 2,500 francs which he could sell for 100 sovereigns. He traded therefore indifferently in both markets or either. But as soon as the exchange varied five per cent in favor of Paris his bill for 2,500 francs would be worth 104 sovereigns instead of 100. It is obvious, therefore, that under such circumstances there would immediately be an additional export of commodities from England to France. Each exporter would immediately be entitled to draw bills on his French correspondent for a considerable portion of their value. While this increase of English bills on France was going on, the same causes would occasion a corresponding diminution of French bills on England. While the French silk manufacturer could obtain by the same sacrifices on his part either 2,500 francs in the home market, or in the foreign market a bill for 100 sovereigns, immediately salable for 2,500 francs, he traded indifferently in both markets or either. But as soon as the exchange was four per cent in favor of France he would obtain only 2,400 francs for his bill in England for 100 sovereigns. He would instantly suspend his export to England.

It appears therefore that the exchange between two countries has always a strong tendency towards its center of oscillation, the commercial par; ¹² that the cost of transmitting the precious metals is the limit of its oscillations; and that there are powerful causes always tending to prevent this limit from being obtained.

The period during which this limit can be reached, or, in other words, during which the precious metals can pass from one country

to another, must in general be very short. In the first place, all the causes which I have mentioned as tending to restore the exchange to par, must, during that period be at their maximum. In the second place, the transmission of the precious metals is itself the most powerful means by which an unfavorable exchange can be corrected.* 259

4. Effect of the Transmission of the Precious Metals from Country to Country. I propose now to consider the effect of the actual transmission of the precious metals from one country to another. I will suppose that all the protecting duties, with which we have clogged our commerce with France, are suddenly removed, and that the removal is immediately followed by an increased importation of French commodities to the amount of five millions sterling. And I will suppose the commercial restrictions on the part of France (and she is at least our equal in protecting her own industry by interfering with its natural direction) to remain unaltered. I will suppose, too, that the five millions in question are actually remitted in money.

It must be admitted that the efflux of so large a sum from England, and its influx into France, must sink all English prices, and occasion a general rise of prices in France.¹³ Indeed, if it did not, the transaction would be one of pure benefit to England and of pure loss to France. As money is not a source of gratification, but a mere instrument of commerce, if our prices were not affected by parting with a portion of our money, we should be insensible of our loss; or rather we should have sustained no loss whatever and have gained the five millions' worth of French commodities without any real sacrifice, while France would have parted with those commodities and received no sensible equivalent.

But those who fear that a nation may be injured by parting with its money are certainly right in supposing that the transmission of five millions in specie from England to France would occasion a general fall of prices in England, and a general rise in France.

The consequences would be an immediate and universal increase of imports, and diminution of exports, in France; and an immediate and universal increase of exports, and diminution of imports, in England. The commerce which any country carries on with its neighbors, must depend on the prices of their respective exportable commodities. When commodities of the same quality, or which may be substitutes for one another, can be imported from different quarters, a slight variation of price will decide which shall be

preferred. If linen of the same quality can be imported into South America indifferently from Germany and from France, and the cost of transport from each country is the same, while the price per yard is also the same, South America will probably import indifferently from each country; but if the influx of money should raise the price of linen of a given quality from two shillings to two shillings and a farthing per yard in France, while it remained at two shillings in Germany, South America would instantly desert the French market and confine her linen trade to Germany.

With every commercial rival with whom France was formerly on a par, she would now be at a disadvantage, and many would now meet her in markets from which she had formerly excluded them. The same consequences, though to a less extent, would follow even in the cases in which France had exclusive powers of production. Every commodity has among its purchasers some whose desire for it, or at least for that variable quantity of it which they consume, induces them to spend on it a given portion of their income and no more. On the slightest rise of price they either discontinue, or diminish their consumption.¹⁴ A very slight rise in the price of claret would occasion some to drink less and others to drink none. Precisely the same causes which would diminish the exports of France, would increase her imports. However earnestly a nation may endeavor to secure to its own productive classes the monopoly in what they respectively produce, it cannot really protect them against foreign competition by any measure short of the prohibition of all foreign commerce. The consumer cannot be forced to buy the dearer or inferior homemade article. If he is prohibited from importing precisely what he wants, he may still make his purchase abroad. The increased price in France of all home commodities would, of course, stimulate the consumption of foreign ones. The bills on France in other countries would increase, those on other countries in France would diminish, and the exchange would be against France throughout the commercial world. It is impossible that, under such circumstances, she could retain for a month the five millions which I have supposed to have been paid to her. They would flow from her in every direction.

In fact, until she parted with the money, France would have derived not benefit, but rather evil, from her export to England. That money is a means, not an end; that no gratification is afforded by an increase in the quantity necessary to effect a given purpose; that it is just as pleasant to purchase a given commodity for five

shillings as for fifty, are truisms, but truisms so often impliedly denied, that they cannot be too often repeated. The rise of prices in France, while it lasted, must have been an evil. It must have deranged, so far as it went, the existing relations of society, have impoverished creditors, and those whose incomes were fixed, and to a certain extent unfitted money to perform its function of a permanent expression or standard of value. If no other results were to have followed from the sacrifice of so much French industry, France had better have given away than have sold her five millions' worth of silks. The sale of the silks would become advantageous to her only when, by reëxporting their price, she had obtained from other countries commodities capable of affording her more gratification than she could have derived from the industry of the silk manufacturers, if she had employed them in manufacturing silks or other commodities for her own home market.

It is obvious that all this time precisely an opposite process would be going on in England. The general fall in English prices would give a preference to our goods in every market of which they had merely an equal participation before; it would admit them to many others from which they were previously excluded. It would exclude from the English market many foreign commodities which could now be obtained more cheaply at home. While the bills in England on foreign countries were increasing, the foreign bills on England would diminish, the exchange would be in our favor with the whole world and the five millions would come back as rapidly as they went out. To suppose that the level of the precious metals in the commercial world can be permanently disturbed by taking money from one country to another is as absurd as to suppose that the level of a pond can be altered by taking a bucketful from one place and pouring it in at another. The water instantly rushes to the place from which the bucketful has been drawn, just as it rushes from the place into which it has been poured. Every country to which France exported any of the money she received from England would, to that extent, have more money than her habitual state of prices could allow. It would flow from her either directly to England, or to those countries which were in want of money in consequence of having previously exported it to England.

It appears therefore, that even in the extravagant case which I have supposed of an export of five millions in money, the loss, if it can be called one, would be immediately repaired. The only inconvenience that we should suffer from the refusal of France to take

our cottons and our hardware in return for her silks, would be that instead of the direct exchange of English for French commodities, we should give to France money; France would export the money to Germany, Holland, and Russia; and Germany, Holland, and Russia would return us that money in exchange for our manufactures; that our trade would in short be circuitous, instead of direct.

For the sake of illustration I have supposed a sudden and great transmission of money. Effects the same in kind, though less in degree, would of course follow a more gradual one. If a balance of only 100,000 sovereigns a year were sent to France, similar consequences, though less palpable, would follow either immediately or as soon as the annual efflux of money from the one country to the other amounted to a sufficient sum to affect the prices of either country, or of both.

It would appear, therefore, that the exchange between two countries can never long deviate from its commercial par.¹⁵

There are, however, exceptions to this rule—some real, others merely nominal.

A nominal deviation from the par of exchange arises from the difficulty of changing mercantile language. The existing commercial par of exchange between London and Paris is about 25 francs 47½ centimes (say 25 francs and a half) for a sovereign. But should any of the data on which this par is calculated be changed, should the quantity of bullion contained in the money of either nation be altered without the denomination of the pieces being changed,—if we should, for instance, put only 56½ grains of pure gold instead of 113 into our gold pieces, and still call them sovereigns; or should the relative values of gold and silver alter,—should silver exchange for ⅓ of its weight in gold instead of its present value, about ⅓, it is clear that the par between the countries would be altered. In either case the real par would probably be only 12¾ francs for the sovereign, and this is the rate at which bills would be exchanged when the commerce of the two countries was in equilibrio. But if mercantile language were to remain unaltered, and 25 francs and a half for a sovereign were still called the par of exchange, it is clear that the ordinary rate of exchange between England and France would be 50 per cent against England, and in favor of France; or, in other words, the real par of exchange would vary 50 per cent from the nominal par. England would suffer no evil, and France would reap no advantage from this

state of things, which would be merely the continuance of an obsolete nomenclature. The only inconvenience would be the chance of misleading subsequent writers on exchange who might not be aware that during the period in question commercial language had misrepresented the facts of the case.

Again, the real exchange between two nations may be, and indeed must be, permanently unfavorable to the one and consequently favorable to the other, if there be any cause which occasions the precious metals to flow constantly from the one to the other. This must be the case between the mining countries and those countries with which they maintain a direct intercourse. As the principal trade of Mexico is the production and exportation of silver, the value of silver, estimated in silver, must always be lower in Mexico than in the countries to which it has been exported from Mexico, just as it must always be lower at Real del Monte than at the door of the Mexican Mint, and lower at the Mint than at Vera Cruz. A partial result of the same kind must be produced in those countries through which the precious metals pass. Russia is one of the principal channels through which the precious metals pass from America to Asia. The real exchange must, therefore, be in general in her favor on her European frontier, by which she receives the metals, and against her on her Asiatic frontier, by which she exports them.

The mining countries are the only exception to the rule that no country can have an exchange permanently favorable or unfavorable, with the whole world. We have seen that a universal balance in favor of any country must soon so raise all her prices as to exclude all her commodities from every foreign market, and to offer irresistible temptation to the introduction of foreign commodities into her own market. Instead of her stock of the precious metals increasing, it must diminish. A universal balance against any country must soon so exhaust her stock of the precious metals and consequently lower her prices, as to diminish and gradually destroy her motives for purchasing foreign commodities, while it increased the motives of all other countries to purchase hers. To suppose that it is possible to go on forever buying without selling, or selling without buying, or even buying more than you sell, or selling more than you buy,—are all equally irrational.

But though no country except a mining country can have its exchange with all other countries permanently favorable or unfavorable, the tendency of every efflux of the precious metals to

occasion a proportionate influx, has one exception, namely, the case of a nation in which the stock of money has become larger or smaller than is requisite to enable her prices to bear their natural proportion to those of the rest of the commercial world. The functions of money as a measure and an expression of value, are incapable of being adequately supplied elsewhere; but the amount of money necessary to perform them bears a very small proportion to the transactions of the country. One million of sovereigns would in general be amply sufficient to perform these services in England. They are so effected in Scotland by a much smaller quantity. If a country have enough money to supply a measure and an expression of value, a substitute may be found for its third office, that of acting as a medium of exchange. It is obvious, indeed, that as money is a substitute for credit, credit must be a substitute for money; and it is well known, international commerce is carried on by means of bills of exchange, which are in fact merely an exchange of equal credits, with very little transmission of money. In a commercial country the actual intervention of money, except in very small payments, is avoided with almost equal success. It is probable that not one-thousandth of the daily exchanges in London, in which the value of the property on either side exceeds forty shillings, are performed by means of money, though in almost every one of them the terms are settled by a reference to money; or, to speak more correctly, in every one of them a sum of money, payable, but never actually paid, is one of the subjects of the exchange.* ²⁶⁰

5. The Rôle of Bankers in the Organization of Credit and Exchange. As the data on which operations in foreign exchanges are founded are so numerous, it may easily be supposed that they are sufficient to engross the whole attention of those who engage in them. They have accordingly been long conducted by a particular class or profession among merchants. It is of course the object of those who deal in exchanges to perform the services required of them at the least expense; that is, to avoid as much as possible any transport of the precious metals from country to country, except the necessary transmission of the surplus produce of the mining districts to supply the demand of plate and money in the rest of the world. This object is effected partly by bringing together on as few points as possible those who have to pay and to receive. It is for this purpose that all the foreign exchanges of an extensive district are transacted at its commercial capital; those of the United States, for instance, in New York; those of the British Islands in

London. The exchanges of several commercial capitals center again in the one among them which has the most extensive foreign relations. And ultimately London, Paris, and Hamburg have become the three great exchange marts of the civilized world. The accounts between the merchants of Petersburg and Philadelphia are settled in the Bourse de Paris or under the piazzas of the Royal Exchange.

Another mode by which the transmission of the precious metals is avoided is by causing claims which differ in point of time to coincide. A sum due to-day may be made to balance one which will not be due for two months if the payment of the one is advanced, or that of the other retarded. Another mode is by creating new claims for the express purpose of balancing existing ones. Wherever there is a regular course of exchange between two places some capitalists in the one generally authorize their correspondents in the other to draw on them to a given amount whenever the exchange varies to a certain extent from its commercial par. If the exchange afterwards leans in an opposite direction, the repayment of these advances may again assist in restoring it to par. If all these expedients do not enable one country to satisfy the claims of another by the exchange of bills, it still does not follow that she will do it by the transmission of coin or bullion. It may be effected, and in fact generally is effected, by the transmission of commodities.* 261

The obstacle to extensive transfers of credit consists in the difficulty of satisfying every successive vendor as to the circumstances and character of the person on whom the credit is tendered. This inconvenience is remedied by bankers—a class of persons who, having obtained general confidence themselves, let out to other persons the benefit of that confidence. One mode in which they do this is by lending to their customers promissory notes, that is, scraps of paper containing promises on the part of the banker to pay, on demand, a given sum of money. As long as the promise is believed, or, in other words, as long as the note is supposed to be convertible at pleasure into money, it performs the functions of money. And as it is, unless for a very small value, more portable and less subject to loss or robbery, it is often preferred to money; and may circulate for many years, exchanged perhaps, on an average, every other day, and on every exchange effecting a new transfer of credit, until, when it has become too dirty and too ragged to be safely handled, payment is at last required from the banker.

The issuing of notes, however, is not the principal means by which

bankers facilitate the transfer of credit. As soon as the use of promissory notes and bills of exchange, or as they are usually termed, of paper credit, has become familiar, every individual who deals much in money finds it convenient to keep an account with a banker and to make his payments by drafts or checks, that is, by written directions to his banker to make the payment. If the receiver of the draft make use of the same banker, he places it in his hands and the draft is satisfied, without any intervention of money, by a transfer in the banker's books. If he employ a different banker, the draft is still probably satisfied without the intervention of money, by periodical meetings of the different bankers, who, having each many drafts to receive and to pay, set them off against one another, and pay only the balance. It is calculated that payments are made at the clearing house in Lombard Street to the amount of £4,500,000 sterling every day, and on some days to the amount of £13,000,000, and that the balance actually paid seldom exceeds £200,000. And even that balance is not paid in money, but in notes of the Bank of England.

When a nation has reached a high state of commercial improvement—when it possesses in every district banking establishments enjoying perfect confidence—and the use of written orders and promises, or, in common language, of paper credit, has become familiar, the use of money as a medium of exchange may be entirely dispensed with, except for those small payments which are not worth the trouble of issuing a note or a draft. And if it can be dispensed with, we may be sure that it will be so. The use of money, as I have often said before, and shall often say again—for it cannot be too frequently repeated—affords no gratification. It is a troublesome and costly mode of supplying the deficiencies of barter, and is abandoned whenever those deficiencies can be supplied at less inconvenience or expense.

The gold and silver money (observes Adam Smith) which circulates in any country, may be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The operations of banking, by providing a sort of waggon-way through the air, enable the country to convert, as it were, a great part of its highways into good pastures and corn-fields, and thereby to increase very considerably, the annual produce of its land and labor. But (he adds, that) the commerce and industry of the country, though they may be somewhat augmented, cannot be altogether so secure, while they are thus suspended upon the Dædalian wings

of paper, as when they travel about upon the solid ground of gold and silver.

The intrinsic causes which give value to a sovereign are those which occasion gold to contribute to the gratification of mankind, and make it difficult of acquisition. Either of these may vary, and the value of the sovereign will experience a corresponding variation. But the value of a note for one hundred sovereigns is subject to vary in value, in correspondence not only with the money which it promises to pay, but with the honesty and solvency of the issuer. It may be worth a hundred sovereigns, or fifty, or nothing. The only mode of ascertaining its value in gold is to present it for payment, and thus relinquish, *pro tanto*, the convenience of paper—an expedient which will not be resorted to while confidence exists. The grounds on which most persons rest their confidence must be exceedingly vague. They have seldom the means of accurately ascertaining the circumstances or the character of those on whom they bestow it, and their anxiety to effect sales leads them often to accept, with little scrutiny, the medium in which payment is proposed. The confidence thus blindly given must be subject to be as blindly withdrawn. The man who has taken notes as money, because he saw them taken by others, is as ready to follow the example of others in rejecting them. The rejected notes crowd to the banker who has issued them. If they exceed in amount the money which he reserves in his coffers for their payment—and the reserve of even the most cautious banker seldom amounts to a third of the demands to which he is liable—he must provide funds by immediately calling in those debts of which he can demand immediate payment.

In times of commercial prosperity, a banker, whose property is equal to his engagements, and who has managed his affairs with tolerable prudence, will find no difficulty, though he may sustain some loss, in thus meeting a demand, or to use the common expression, a run upon him, for money, however extraordinary and sudden. If he have parted with no note without having previously received the full value of what that note promised to pay, and have always advanced what he so received in loans on good security, capable of being immediately called in or sold, (and these are the elementary rules for a banker's conduct) he may indeed lose his profit, but it is scarcely probable that his creditors should suffer. But if the run occur in a time of commercial distress, and still more

if it be occasioned by commercial distress, not the utmost caution that is compatible with profitable banking, or the largest amount of surplus property which is likely to belong to one individual, or even to a few individuals, will enable a banker to meet the demands of all those who are entitled to call on him for immediate payment. His debtors find it difficult to make their regular and accustomed payments, and impossible to answer an unexpected call. The securities which he sells are sunk in value, by the concurrence of an increased number of sellers, and a diminished number of buyers. He ceases to pay his notes on demand, and they do not merely sink in value, they become for a time utterly valueless. The inconvenience and loss sustained by their holders spreads alarm among all possessed of paper currency. The demands on the issuers of notes for payment, and their inability to pay, spread like wildfire. A great portion, perhaps the greater portion, of what acted as the circulating medium of exchange throughout the country becomes valueless; and the effects are precisely the same as if an equal proportion of the metallic currency of the country had been suddenly annihilated or exported. Prices fall, the importation of commodities is checked, and their exportation is encouraged. The foreign exchanges become universally favorable, and the precious metals flow in until the void, occasioned by the destruction of the paper currency, has been filled. If, from fear of the recurrence of a similar calamity, the legislature should now endeavor to limit the use of paper money, and should succeed in the attempt, the additional money thus suddenly acquired will be permanently retained. But if things are left to take their own course, as soon as the storm is over the issue of paper will recommence, and the precious metals, for which it afforded a substitute, will be reëxported.

During the three years preceding 1825, and indeed in the beginning of that year, this country enjoyed remarkable commercial prosperity. Advantage had been taken of that prosperity, or rather of the general confidence which it produced, to substitute to a great degree a paper currency for the gold which previously circulated. The amount of country bank notes in circulation in 1822, as far as can be inferred from the stamp office returns,¹⁶ was about twelve millions, and, in 1825, had risen to between eighteen and nineteen millions. Gold to the amount of above £4,400,000 sterling was exported in one year, 1824,¹⁷ a part of it even to South America. The commercial insanity which prevailed in the beginning of 1825 [is detailed in Tooke's *Currency*, p. 43]. The greatest losses were

probably sustained from our excessive importation of foreign commodities, at prices extravagantly raised by the mutual competition of the importers, and from an undue extension of particular branches of manufacture—that of silks for instance—from a miscalculation on the part of the manufacturer either of the quantity for which the public were ready to pay an equivalent, or of the extent of the whole concurrent additional supply.

Commercial blunders so gross and so extensive necessarily produced wide embarrassment and ruin: evils not confined to those whose miscalculation had first occasioned them, or even to their immediate workpeople and dependents, but involving many, who, having acted with apparent prudence, suddenly found their market destroyed by the ruin of their expected customers. It was under these circumstances of commercial distress, that accident or malice occasioned a sudden run upon a considerable bank in the west of England. Its failure shook the credit of a great London banking-house, which, after struggling through difficulties for upwards of a week, during which it paid away, it is said, more than £1,400,000, stopped payment early in December. The notoriety of these difficulties in the first instance, and the eventual failure, spread terror among the creditors of the country banks, above thirty in number, connected with that house, and many of them were unable to stand the run which followed. The failure of a great Yorkshire bank alarmed the northern part of the kingdom; and the consternation became general, not only among the holders of local notes, but among depositors, as well in the metropolis as in the country.

Most happily, the Bank of England did not decidedly stop payment, and, most happily, its notes retained their currency; and, happily also, the directors had the courage to increase their issues. That increase, however, did not nearly equal in amount the country notes which had ceased to circulate. The effect, therefore, was the same as if a considerable portion of the currency of a country, having only a metallic currency, had been suddenly annihilated. Prices fell; the exchanges, which had been against us in our prosperity, became favorable in our adversity, and gold flowed in in every direction. Many of the boxes of sovereigns, which had been exported to Paris in the previous year, returned without ever having been unpacked.

This is not the place to inquire whether our small notes really produced the evils attributed to them, or whether the security afforded by an increased metallic currency is worth the expense

of keeping it up. It is clear, however, that, as a question of immediate profit and loss, the necessity of importing so much gold during [1826] must have considerably aggravated the distress of the country. It could have been obtained only by the sacrifice of the results of a portion of our industry and natural advantages, to obtain what?—merely the privilege of giving a sovereign, where we had previously given a note or a check. It is clear, also, that if we again suffer small notes to form a considerable portion of our currency, the immediate consequence will be, that we shall export some millions of sovereigns, not only without inconvenience, but precisely because we find the use of the notes more convenient, and shall receive for them an equivalent in foreign commodities, every one of which will be a source of enjoyment. Nothing can be more correct than Adam Smith's illustration. The use of the precious metals, or of any valuable article as money, like the use of fertile land for a road, may be necessary, but is a necessary evil. To part with them always produces an immediate increase of enjoyment, to purchase them is always an immediate sacrifice.* 262

CHAPTER III

NORMAL VALUE OF MONEY UNDER STATIC CONDITIONS

1. Critique of the Quantity Theory of Money. 2. The Value of Money and the Quantity Required in a Community. 3. The Value of Money and the Rapidity of Its Circulation. 4. The Value of Money and the Organization of Banking and Credit. 5. Summary and Conclusion.

1. Critique of the Quantity Theory of Money. The general doctrine, but as it appears to me an erroneous one, is *²⁶³ that the local value of the precious metals depends on what Colonel Torrens calls their distribution, that is to say, on the comparative amount of them in each country. That theory is favored by Mr. Ricardo in some unguarded passages, particularly in his chapter on foreign trade—a chapter containing the germ of most of the errors which have expanded themselves so vigorously in the writings of Colonel Torrens.¹⁸ It is maintained in express terms by the late Mr. Mill; with the addition that any increase or diminution of the rapidity with which the money of a country circulates, produces the same effects as the increase or diminution of its quantity.*²⁶⁴

It is not difficult to perceive (says Mr. [James] Mill) that it is the total amount of the money in any country which determines what portion of that quantity shall exchange for a certain portion of the goods or commodities of that country.

If we suppose that all the goods of the country are on one side, all the money on the other, and that they are exchanged at once against one another, it is obvious that one-tenth, or one-hundredth, or any other part of the goods will exchange against one-tenth, or one-hundredth, or any part of the whole of the money; and that this tenth, etc., will be a great quantity or small exactly in proportion as the whole quantity of the money in the country is great or small. If this were the state of the facts, therefore, it is evident that the value of money would depend wholly on the quantity of it.

It will appear that the case precisely resembles the actual state of the facts. The whole of the goods of a country are not exchanged at once against the whole of the money; the goods are exchanged in portion, often in very small portions, and at different times during the course of

the whole year. The same piece of money which is paid in one exchange today may be paid in another exchange tomorrow. Some of the pieces will be employed in a great many exchanges, some in a very few, and some which happen to be hoarded in none at all. There will amid all these varieties, be a certain average number of exchanges, the same which if all the pieces had performed an equal number would have been performed by each: that average we may suppose to be any number we please; say, for example, ten. If each of the pieces of money in the country perform ten purchases that is exactly the same thing as if all the pieces were multiplied by ten, and performed only one purchase each. As each piece of the money is equal in value to that which it exchanges for; if each performs ten different exchanges to effect one exchange of all the goods, the value of all the goods in the country is equal to ten times the value of all the money.

This, it is evident, is a proposition universally true. Whenever the value of money has either risen or fallen (the quantity of goods against which it is exchanged, and the rapidity of circulation remaining the same) the change must be owing to a corresponding diminution or increase of the quantity; and can be owing to nothing else. If the quantity of goods diminish while the quantity of money remains the same, it is the same thing as if the quantity of money had been increased; and if the quantity of goods be increased while the quantity of money remains unaltered, it is the same thing as if the quantity of money had been diminished.

Similar changes are produced by any alteration in the rapidity of circulation. By rapidity of circulation is meant of course, the number of times the money must change hands to effect one sale of all the commodities.¹⁹

Mr. Mill does not say in so many words that the value of money is decided by causes differing from those which decide the value of other commodities. But such is in fact the result of the statement which I have just [quoted], if it be compared with his section on exchangeable value. In that section he states that the relative value of commodities, in other words, the quantity of one which exchanges for a given quantity of another, depends entirely upon cost of production. He does not mention rapidity of circulation, or, in other words, a frequent change of masters, or alteration of actual quantity, except for short periods, as among the elements of value. And if they are not the principles which regulate the value of other things, what reason is there for supposing that they regulate the value of money? * 265

No one will maintain that gold and silver differ from the other metals, except in their greater scarcity and durability; or that their

attributes are changed the instant they are divided into portions of a given weight and authenticated by a stamp. But if we were asked, why does one ton of copper generally exchange for five of lead, we should immediately answer, for the same reason which causes one bushel of wheat generally to exchange for two bushels of barley—namely, that it costs as much in wages and profits, or, to use another nomenclature, in labor and abstinence, to produce one ton of copper as five tons of lead, and one bushel of wheat as two bushels of barley.

There is probably more than fifty times as much gold in use in Europe as there is platinum; but yet gold is five times as valuable as platinum. There is about forty-seven times as much silver as there is gold; but gold is not quite sixteen times as valuable as silver. Again, it is probable that silver changes hands ten times as often as gold; but no one seriously supposes that this cause affects the comparative value of the two metals.* ²⁶⁶

The circumstances under which all metals are produced are those of competition, but unequal. They are obtained by washing alluvial deposits, and sinking mines of unequal productiveness. The value of every portion that is produced must therefore be sufficient to pay the wages and profits of those who use the least fertile mine or sift the most poorly impregnated sand, that can be worked without loss.²⁰ If the value were to rise higher, mines and streams still less productive would be resorted to. If it were to fall lower the worst now in use would be abandoned. When these principles are applied to native commodities we at once recognize their justice. But we are not accustomed to consider money as a thing annually produced, and depending for its value on the cost of its production. We talk of it as if nature or some other equally unknown cause had diffused a certain amount of it through the country, and consistently with such an opinion ascribe its value solely to its quantity.

It appears to me that the only mode of acquiring clear ideas on the subject is to inquire how the value of the precious metals would be fixed under the simplest state of circumstances. And we shall afterwards find that the same causes do in fact fix their value under the complicated relations of European society.* ²⁶⁷

2. The Value of Money and the Quantity Required in a Community. We will suppose an insulated society of 10,000 families, having an abundance of fertile land, and using manufactures so rude, that the trifling capital employed by them may be disregarded, and so equal in fortune and rank, that the relations of

landlord and tenant, and capitalist and workman, shall not exist. We will suppose gold alone to be their money, and that it is obtained by washing alluvial deposits without any expensive machinery or skill, and always in the same ratio to the labor employed.

The cost of producing gold would, under these circumstances, always remain the same; and its value in labor, or, in other words, the amount of labor which a certain quantity of it could purchase, would always correspond with its cost of production; except for short intervals, when any sudden increase or diminution in the demand for it should occasion the existing supply to be for a time relatively excessive or deficient. Under such circumstances, the value of all other things would be estimated by comparing their cost of production with that of gold. If the labor of a family employed for a year could gather from the washing-places fifty ounces of gold, and, by equal exertion, gather from the spontaneous produce of the fields fifty quarters of rice, the rice and the gold would be of equal value, and a single quarter of rice would be worth an ounce of gold. If the same labor could produce, in the same time, one hundred ounces of gold instead of fifty, a quarter of rice would be worth two ounces instead of one; or if the same labor could gather one hundred quarters of rice instead of fifty, a quarter of rice would be worth only half an ounce instead of a whole ounce. But while a year's labor could produce just fifty ounces of gold, the yearly income of each family, however employed, supposing their diligence, strength, and skill equal, would be of the value of precisely fifty ounces of gold.

The quantity of gold produced would depend partly on the quantity wanted for plate—including, under that word, all use of gold except as money—and partly on the quantity wanted for money. The quantity wanted for plate would of course depend on the prevailing fashions of the country; the quantity wanted for money would depend on causes numerous and complicated. I shall explain them at some length, as the question—what are the causes which determine the quantity of money which a community shall possess?—is important, and by no means easy of solution.

It is obvious, in the first place, that the whole quantity of money in a community must consist of the aggregate of all the different sums possessed by the different individuals of whom it is constituted. And what this quantity shall be, must depend partly on the number of those individuals; partly on the value in money of the aggregate of their respective incomes; and partly on the average proportion

of the value of his income which each individual habitually keeps by him in money. The two first of these causes do not require much explanation. It is clear that, *cæteris paribus*, two millions of people must possess more money than one million. It is also clear that, *cæteris paribus*, a nation, the value of whose average aggregate income amounts to £100,000,000 sterling a year, must possess more money than one whose annual income is only £50,000,000.

But the causes which determine what proportion of the value of his income each individual shall habitually retain in money, are less obvious. Briefly, it may be said to depend, first, on the proportion to his income of his purchases and sales for money; and secondly, on the rapidity with which they succeed one another. But such a statement is too concise to be intelligible without further explanation.

Exchange, as it is the principal cause, is also one of the principal effects of improvement. As men proceed from a primitive to a refined state of society, as they advance from hunters to shepherds, from shepherds to agriculturists, from villagers to townspeople, and from being inhabitants of towns depending for their supplies on the adjacent country, to be the citizens of a commercial metropolis using the whole world as one extensive market;—at each of these states man becomes more and more a dependent being—consuming less and less of what he individually produces, until at last almost every want, and every gratification, is supplied by means of an exchange. Our ancestors lived on their own estates, fed their households from the produce of their own lands, and clothed them with their own flax and wool, manufactured within their own halls. Food and clothing were the wages of their domestic servants; and their tenants, instead of paying rent in money, were bound to cultivate the lord's demesne; to supply him certain quantities of corn or live stock; and to serve under his banner in public or private war. The services of the Church were obtained by allowing the priest a tenth of the annual produce; and the demands of the State were limited to the maintaining roads and bridges, defense of castles, and attendance in war for forty days, with adequate provisions. Under such circumstances, the barons and their dependents—and these two classes comprised the bulk of the community—might pass years without having to make a sale or a purchase. Exchanges they made, where one party gave services or produce, and the other party food, clothing, shelter, or

land; but these were all made by barter. The yeoman who cultivated his own land and used the manufactures of his own family might, in fact, live without even an exchange; nor could the serf, though he received maintenance in return for labor, be said to make an exchange, since he had no more power to enforce, or even to require any stipulation than any other domestic animal.

The same circumstances must, however, have occasioned what money there was in the country to circulate very slowly; or, in other words, to change hands very unfrequently. A man who, in such a state of society, received a sum, might not find for a long time an advantageous opportunity of spending it; and he would have many reasons for not parting with it, even on what might appear advantageous terms. Where property and person are so insecure as they were among our ancestors, every one must feel anxious to have some means of support if he should be forced to quit his home, or to witness the destruction of his less portable property. Again, the demands for money, when they did come, were great and unforeseen. The knight was in constant danger of having to pay a ransom; the tenant of having to assist in raising that ransom; and the Crown, from time to time, required a subsidy or an escuage.* ²⁶⁸ And lastly the desire of dying rich,²¹ was then far from being the folly which we now consider it. Every man of the slightest forethought must have been anxious to leave a sum sufficient to pray him out of purgatory, and he must have been very presumptuous who thought he had secured enough.* ²⁶⁹

Under such circumstances, it is probable that each individual, or, to speak more correctly, each person managing his own concerns, might on an average receive in money one-fiftieth part of the value of his annual income. But it is likewise probable that what he did so receive he might retain on an average for four years. The aggregate sum in his possession would not exceed a month's income—a very moderate hoard, where the motives for hoarding were so powerful. I am inclined to think that the average proportion of their income, which our ancestors hoarded, during the first two or three centuries after the Conquest, was much larger. It is impossible otherwise to account for the importance attached to treasure trove, which seems to have formed a material portion of the royal revenue; and now probably does not afford, except from ancient deposits, £1,000 a year. The whole money of the country would, under such circumstances, change hands only once in four years.

It is probable that in this supposition—which is not without

resemblance to the state of England under the Norman and Plantagenet lines—I have stated the extremes both of absence of exchange, and of slow circulation of money, that could take place in a community entitled to be called civilized.* ²⁷⁰ We will now suppose the country to be at peace, and secure within and without; belief in purgatory and in the efficacy of prayers for the dead to have ceased; in short, all the motives for hoarding to be removed.* ²⁷¹ Instead of a month's income, each family might retain only a week's. Instead of once in four years, the whole money of the country would change hands every year; and £100,000 would perform all the offices of money as well as £400,000 did before.

In the case which we have supposed of an insulated community consisting of 10,000 families, the quantity wanted would depend partly on the cost of producing gold, and partly on the rapidity of its circulation. The rapidity of circulation being given, it would depend on the cost of production. It is obvious that twice as much money would be required to effect every exchange, if a day's labor could obtain from the washing-places thirty-four grains of gold, as would be necessary if a day's labor could obtain only seventeen. And the cost of production being given, the quantity of money wanted would depend on the rapidity of its circulation.* ²⁷²

3. The Value of Money and the Rapidity of Its Circulation. We have supposed 10,000 families of equal incomes. We will now suppose the cost of producing gold to be such, that a family could gather 118 grains, or what we call a guinea, per week, or about 17 grains per day. Now, if the habits of the community were such that each family lived from hand to mouth, and purchased every day the day's consumption (an impossible supposition, but one which may be used in framing what may be called an intellectual diagram), it is obvious that no family (except the gatherers of gold) would at an average possess more or less than 17 grains of gold; 170,000 grains, therefore, would be the precise quantity wanted for the purpose of money, and all the money would change hands every day.* ²⁷³ Each family may be supposed to get up every day possessed of 17 grains of gold, and also of the commodities produced by the previous day's labor. In the course of the day they would employ their money in purchasing the subsistence of a day, and the commodities produced by their own labor in repurchasing their money. Each family of gold-gatherers, however, gold being the precise commodity produced by them, would always possess twice the average quantity of money. But as the proportion of money

imperceptibly, but yet daily, destroyed must be set against this excess, the quantity of money required may still be estimated at 170,000 grains.* ²⁷⁴

Let us now consider what would be the consequence if their custom were to make their purchases half-yearly instead of daily. At first sight we might think that the rapidity of circulation would be retarded in the proportion of 1 to $182\frac{1}{2}$; and, consequently that rather more than 182 times as much money would be necessary. Such would be the case if each family were, on one and the same day, to make all their purchases for the ensuing half a year's consumption. But if we suppose them to lay in their stocks of different articles at different times, and on an average to make their purchases and sales, and of course to receive their incomes, on 36 different days during each year; the quantity of money wanted, instead of being 182 times, would not be much more than ten times the former quantity. Each family would, at an average, instead of 17, possess rather more than 170 grains of gold, the whole quantity wanted would rather exceed 1,700,000 grains of gold, and would change hands about ten times in a year.

But though any alteration in the rapidity of circulation would much affect the quantity wanted, it would not, except during short periods, affect the value of money while the cost of production remained unaltered. Whether 170,000 or 1,700,000 grains were wanted, still, while a day's labor would produce neither more nor less than 17 grains of gold, 17 grains of gold would, except during comparatively short intervals, be the price of every commodity produced by the labor of a day. I say, except during comparatively short intervals; because though the causes which limit the supply of gold are supposed to be unalterable, those which give it utility, or, in other words, which create the demand for it, might be increased or diminished; and during the interval between the diminution or increase of the demand, and the increase or diminution of the supply in the market, the value might rise above, or sink below, the cost of production.

The primary cause of the utility of gold is, of course, its use as the material of plate. The secondary cause is its use as money. And in the absence of any disturbing cause, the labor employed in producing gold would be just enough to supply the annual loss and wear of the existing stock of plate and money. Suppose, now, that a change of fashion were to occasion a sudden demand for an increased quantity of plate—the introduction, for instance, of the

Roman Catholic forms of worship, and a belief in meritoriousness of adorning every altar with golden candlesticks—that demand would be supplied partly by melting and converting into candlesticks some of the existing plate and some of the existing money, and partly by employing on plate all the current supply of gold; a part of which would otherwise have been used as money. The whole quantity of money being diminished, the average quantity possessed by each family must be diminished. A less portion would be offered on every purchase; all prices (except that of plate) would fall; and the moneyed incomes of all persons except the gatherers of gold would be diminished. This, of course, would occasion much more labor to be employed in gathering gold until the former amount of money were replaced.

If, after this had taken place, the use of plate should suddenly diminish—if, for instance, Protestant forms of worship should supplant the Roman Catholic—the consequences would be, of course, precisely opposite. The candlesticks would be melted down, and the sudden supply of gold would sink its value. Part of the additional supply would probably be used as plate, of which each family could afford to use a little more, the rest would be turned into money. The whole quantity of money being increased, each family would have rather more; rather more would be offered on every exchange; all prices (except the price of plate) would rise; and the money incomes of all persons (except the gatherers of gold) would be increased. The gathering of gold would, of course, cease; until the gradual loss and wear of plate and money, uncompensated by any annual supply, should have reduced the quantity of gold below the amount necessary to supply the existing demand for plate and money. On the occurrence of that event, it would again become profitable to gather gold; and the price of everything would again depend on the proportion of the labor necessary to its production, compared with the labor necessary to obtain a given quantity of gold.* ²⁷⁵

4. The Value of Money and the Organization of Banking and Credit. Similar and equally temporary consequences would, of course, follow any causes which should increase or diminish the demand for gold, by diminishing or increasing either the use of money in exchange, or the rapidity of its circulation.* ²⁷⁶ We will suppose the daily amount of gold that a family can obtain from the washing-places to be 10 grains, and consequently the daily money income of each of the 10,000 families to be 10 grains. Now if the

habits of the country were such as that each family should habitually keep in their possession at an average 20 days' income, or 200 grains, the total amount of money in the country would be 2,000,000 grains. If a banker should establish himself and offer to take charge of that portion of each man's income which was not necessary for immediate use, it is possible that half of the whole money of the country might be deposited with him. Each family might think it safer in his custody than in their own, and would feel the convenience of being able to make payments by drawing on him, and avoiding the trouble of carrying sums of money in their pockets. Many exchanges in which money was previously used would now be effected by a mere transfer of credit. A seller would often receive from a purchaser a check and pay it to the banker; and instead of receiving money for it, merely occasion a certain sum to be taken from the account of the purchaser and placed to that of the seller. If however the banker were to keep in his chests all the money deposited with him, one-half of the money would become absolutely stagnant, and the rate of circulation of the whole of the money in the country might be said to be retarded by one-half: this would precisely balance the effect of the diminution of the exchange for money and the same quantity of money would be required as before.

We will adopt, however, the more probable supposition that he would keep in his coffers only enough to answer the utmost probable demands of his customers, and employ the remainder either in making purchases himself or in loans to persons desirous of obtaining and productively employing commodities or labor, but without sufficient funds of their own. If we suppose him to have received in deposits 1,000,000 grains, or half the money of the country, and to retain in his coffers 500,000, and to issue again in purchases or loans the remaining 500,000, the effect will be the same as if the existing money of the country were increased by one-fourth. In the first place, there would remain in circulation the 1,000,000 grains undeposited; secondly, there would be the banker's checks acting as money and supplying as instruments of exchange the place of the 1,000,000 grains deposited; and lastly, there would be 500,000 grains of the deposits reissued. The consequence would be a rise in the price of every commodity except plate, and in the wages of all laborers except the gatherers of gold. The use of plate would probably be somewhat increased, and the gathering of gold would cease until the loss and wear of money and plate had reduced the stock of plate to its former amount, and the stock of money to

$\frac{3}{4}$ ths of its former amount. If the banker should find the public ready to take his written promise to pay as of equal value with actual payments, and should venture to issue in purchases and loans the whole of the 500,000 grains which we have supposed him to reserve to answer the demands of his customers, this would have the effect of adding one-fourth more to the currency of the country. Prices would again rise, and would not subside to their former level until the unsupplied loss and wear of the gold should have reduced the quantity of money to one-half of its amount when the banker began his operations.

If by this time it should be discovered that the banker had no reserve to meet the demands of his customers, and the drafts upon him, which before had passed as cash should become valueless, the same effects would be produced as would have been produced before his establishment, if half the money of the country had been destroyed—had been put, for instance, on board a government vessel and lost at sea. All prices, except the price of plate, and all incomes, except the incomes of the gold gatherers, would fall one-half. Plate would be melted into money, and additional labor employed in gathering gold till the former stock of money were replaced.* 277

5. Summary and Conclusion. My principal object in this long discussion has been to show that the value of money, in so far as it is decided by intrinsic causes,²² does not depend permanently on the quantity of it possessed by a given community; or on the rapidity of its circulation; or on the prevalence of exchanges; or on the use of barter or credit; or, in short, on any cause whatever excepting *the cost of its production*. Other causes may operate for a time; but their influence wears away as the existing stock of the precious metals within the country accommodates itself to the wants of the inhabitants. As long as precisely 17 grains of gold can be obtained by a day's labor, everything else produced by equal labor will, in the absence of any natural or artificial monopoly sell for 17 grains of gold; whether all the money of the country change hands every day, or once in four days, or once in four years; whether each individual consume principally what he has himself produced, or supply all his wants by exchange; whether such exchanges are effected by barter or by credit, or by the actual intervention of money; whether there be 1,700,000 or 170,000 grains in the country.²³

In many respects, our insulated community of 10,000 families

is a miniature of the whole commercial world. The whole commercial world may be considered as one community, using gold and silver as money; and ascertaining the value of other commodities by comparing their cost of production with the cost of obtaining gold and silver. And though many causes may alter the quantity of the precious metals possessed by any single nation, nothing will permanently alter their value, so far as that value depends on intrinsic causes, unless it affect the cost at which they are obtained.*²⁷⁸

CHAPTER IV

NORMAL VALUE OF MONEY UNDER DYNAMIC CONDITIONS

1. Effect on Prices of Variations in the Demand for or in the Supply of the Precious Metals. 2. Effect on Prices of Variations in the Relative Values of Gold and Silver. 3. Effect on Prices of Variations in the Cost of Importing the Precious Metals.

1. Effect on Prices of Variations in the Demand for or in the Supply of the Precious Metals. In the last [chapter] I inquired how the value of the precious metals would be fixed in the simplest state of circumstances. I supposed the existence of a people without foreign commerce or valuable capital using gold as their only money, and obtaining it always in the same proportion to the labor employed. Under such circumstances it appeared that, in the absence of accidental disturbance or of natural or artificial monopoly, the relative values of gold, and of any other commodity would depend solely on the amount of labor necessary to obtain given quantities of each.

I now proceed to inquire how the value of the precious metals is determined when the cost of obtaining them is subject to variation. This is a more interesting inquiry, as it is founded, not on an arbitrary hypothesis, but on the real facts of the case.

It is an obvious remark that the value of gold and silver like that of all other produce subjected to a qualified monopoly, must depend so far as its causes are intrinsic, on the cost of producing it under the least favorable circumstances, or, in other words, on the cost of obtaining that portion which is continued to be produced at the greatest expense.²⁴

But what are the causes which determine what shall be the greatest expense that can be profitably encountered? or, in other words, what shall be the poorest mine that can be profitably worked? ^{*279}

The immediate causes are clear. The question whether a given mine shall be worked or abandoned must always be solved by comparing the amount of silver which it produces with the amount of silver which must be expended in working it, or to speak more in detail by ascertaining:

First, the average quantity of silver which it periodically supplies.

Second, the average quantity of silver expended in paying the wages of the workmen who are directly employed about it.

Third, the average quantity of silver expended in paying those who indirectly assist in working it, a payment which includes the expenses of government.

Fourth, the average quantity of silver expended in paying for the mercury, steel and other foreign commodities necessary for the work.

Fifth, the average time for which these payments must be paid in advance.

Sixth, the average profit which the capitalist who makes all these advances could obtain by any other employment of his capital.

If the silver obtained is just sufficient to answer all these payments the mine will be worked; if it be more the mine will yield a rent; if less it will be abandoned.

But such an answer gives no real information. There are in Mexico mines of every intermediate degree of fertility—between that of Sombrete which in six months gave to its proprietor a net profit of £800,000, and probably afforded silver at a less expense than copper costs in Wales, and those which if worked would require as much labor as is necessary to obtain gold or diamonds. The first thing to be ascertained is, the aggregate quantity of silver annually required.²⁵

If the market for Mexican silver were confined to Mexico, the demand for plate would ultimately determine the aggregate quantity of silver annually required. But Humboldt calculates that only 1/23rd part of the silver produced in Mexico is consumed in that country.²⁶ The whole annual amount he estimates²⁷ at 1,640,000 lbs. troy, equal in value to about £5,000,000 sterling. Of this about 71,304 lbs., or about £217,000 sterling is retained by the Mexicans for their own use; the remaining 1,568,696 lbs., or £4,783,000 sterling they export. Taking the Valenciana mine as a standard, in which 3,100 laborers earned annually 3,400,000 livres,²⁸ we find the silver wages of the Mexican miner to be, or rather to have been when Humboldt wrote, about £46, or about 178 ounces of silver a year. If we add about a third more for the wages of the persons indirectly employed in assisting the miners,—as producers of tallow, powder, quicksilver, and the other tools of the miner—we must add about 60 ounces more as the silver

which each miner must produce, making together 238 ounces. It is difficult to estimate the average time for which the wages of these workmen must be advanced, or the average rate of profit in Mexico; but I will suppose the average period of advance to be two years, and the average rate of profit to be $1/7$ th per annum. The wages of one miner, and $1/3$ rd more having therefore been advanced for two years, we must add 73 ounces more for profit, making altogether 311 ounces.

If these calculations are correct, (and, as they are assumed merely for the purpose of illustration, it does not signify whether they are correct or not) it was necessary in order to produce annually in Mexico 1,640,000 lbs. troy of silver to work mines of different degrees of fertility, down to that at which each miner, his wages, and the wages of those who assist him, having been advanced for two years, produced annually 311 ounces, and all mines more productive yielded a rent; all less productive were losing concerns. If more silver had been required it could have been obtained but a worse mine must have been worked, and the silver wages of the miner would have sunk; if less had been required a better mine would have become the worst mine in activity, and the silver wages of the miner would have risen.

What was it then which decided that 1,640,000 lbs. should be the quantity annually required? Not the want of plate in Mexico, for the Mexicans required annually for their own use only 71,304 lbs.,—a quantity so small that it may be left out of calculation. The determining causes must have been that such was the desire of the inhabitants of the rest of the world for silver and such their powers of producing commodities desired by the Mexicans, and such the desire of the Mexicans for the commodities produced by the rest of the world, and such their powers of producing silver, that the rest of the world offered annually to Mexico commodities sufficient to induce the Mexicans to produce annually for exportation 1,568,696 lbs. troy of silver; and the Mexicans offered annually to the rest of the world 1,568,696 lbs. troy of silver in return for the commodities which were annually produced by it for the Mexican market. Any alteration in one of these determining causes, unless neutralized by a compensating alteration in another, would produce a corresponding alteration in the value of silver. If the taste for plate in the rest of the world should diminish, and the Mexicans should not be willing to sacrifice more labor and capital for the purpose of keeping up their consumption of foreign

commodities,—as fewer commodities would be offered to Mexico in exchange for silver, less silver would be exported; the accumulation of silver in Mexico would sink its value; the silver wages of the miner would rise; the worst mines would be thrown out of work and the persons formerly employed in working them would be employed in making substitutes for the foreign commodities no longer imported. Though less silver would be produced yet as the demand for it would be reduced, and as the worst mine in use, which may be termed the regulating mine, would be a more productive mine, the value of silver would fall over the whole world, though its fall would be checked by the increased use of it as money occasioned by its diminished efficiency. And it is a remarkable circumstance that all wages and prices would be raised in Mexico by the injury of the most important branch of its commerce.

I will now suppose a diminution in the power of foreign countries to produce commodities desired by Mexico. Suppose the Mexicans to discover a mode of fabricating at home at a less expense, half of the commodities which they previously imported, and that foreign countries are not immediately willing to make additional sacrifices to obtain silver. The Mexicans would turn part of their miners into producers of other commodities, but with this difference that instead of losing they would benefit by the change. But as to silver the results to them would be precisely the same as in the last example. The regulating mine would be a better mine and all prices in silver would rise. But in the rest of the world the effect would be very different. As less silver would be imported, and as the deficiency in the supply had not been preceded by a diminution in the demand its value would rise. This would occasion, to a certain degree, a reaction in Mexico, and some of the mines, which had at first been abandoned would be resumed; but the ultimate result would be that prices would be higher in Mexico, and lower in the rest of the world, than before the first alteration took place. Mexico would produce less and retain more silver than before; a service of plate would be cheaper there and dearer in other countries, and it would require more silver in Mexico and less in the rest of the world to perform the exchanges previously performed by a given quantity of money.

It is to be observed that in both the cases which I have put the worst mines would be thrown out of use. Yet in the first example the value of money falls in foreign countries and in the second it rises. The cause of this difference is that in the first example, while

the utility of silver in the rest of the world is diminished, the force of the cause which limits its supply there, that is, the sum of labor and abstinence necessary to obtain a given quantity of it from Mexico is not varied. In the second case, while its utility is not diminished the force of the obstacle to its supply in the rest of the world is increased; and that increase ultimately resolves itself into an increased value of Mexican labor.

I will now consider the circumstances which would occasion a less productive mine to be worked.

If the taste for plate should increase in foreign countries, more commodities would be offered to Mexico in exchange for silver. It would become profitable in Mexico to direct a portion of their labor and capital to the production of an increased quantity. As this must be obtained from a worse mine the silver wages of the miner, and all other prices would fall in Mexico as, to obtain the further quantity they must have previously fallen in other countries. The prices of commodities would probably fall more in Mexico than in other countries, as the whole amount of commodities in Mexico would be increased and in other countries diminished. But the price of labor would probably fall more in the rest of the world than in Mexico, for the demand in foreign countries for the increased produce of Mexican labor having the results of a given quantity of Mexican labor would command in exchange the results of a larger quantity of foreign labor than before.

If instead of an increased taste in foreign countries for plate, we suppose an increased taste in Mexico for foreign commodities, the Mexicans would be forced to increase their export of silver. This they could do only by working a less productive mine, prices and wages would fall in Mexico, while the increase in the quantity of silver imported would raise them in the rest of the world. The ultimate consequence would be, that the results of a given quantity of labor would command in exchange the result of more Mexican labor than before.

The consequences in foreign countries of an increase or diminution in the fertility of the Mexican mines have been so much anticipated that they may appear not to require a minute investigation, but they are too important to be slightly passed over.

The whole number of miners in Mexico is estimated by Humboldt at 30,000. It is probable that he includes only those directly employed in extracting the ore. I will assume for the purpose of illustration that there were then an equal number of persons whose

whole labor was employed indirectly for the same purpose making together 60,000. We have seen that they then annually produced 1,640,000 lbs. troy of silver: the produce of the rest of the world is supposed to be $\frac{1}{5}$ th more, or 328,000 lbs.; making together an annual supply of 1,968,000 lbs., or in round numbers, 2,000,000 lbs. The whole quantity of silver now in use in the world appears on an average of the different estimates to be about 600,000,000 lbs. troy; and as the quantity does not appear to increase, the production and consumption probably balance one another, and the whole quantity is consumed and reproduced in 300 years. I will suppose Humboldt's calculation to be correct and that one-third of the whole quantity, or 200,000,000 lbs. is used as plate, and two-thirds, or 400,000,000 lbs., as money. But as the waste of silver in plate is more rapid than in money, it is probable that they divide the annual supply between them; and that 1,000,000 lbs. troy, is annually required to keep up the existing quantity of plate; and about the same quantity to keep up the stock of money.

I will suppose a set of mines to be discovered in Mexico from which 10,000 men, their wages having been advanced for a year, annually produce 2,000,000 lbs. of silver. If it were possible that the desire for plate in the whole world, Mexico included, should increase so as to absorb the whole of this additional quantity of silver for the purpose of plate, very little effect would be produced. The value of plate in labor and in other commodities would be altered. The annual supply of plate, and the annual expense to the consumers of obtaining the additional supply now annually obtained by them would each be rather more than trebled; and as the expense of procuring silver from the new mines would bear a small proportion to its value, their proprietors would derive a very large rent. It is clear, however, that this sudden increase of demand for plate would not take place, for as we have supposed the price not to fall there would be no motive for it.

The immediate effect of the additional supply would certainly be a fall in its value, but a very trifling one, as the additional quantity offered in the first year would be only $\frac{1}{300}$ th part of the existing mass of silver in the market. I do not think that the fall in the value of plate which so slight an addition would occasion, would be sufficient to increase the quantity consumed. The whole additional quantity of silver would therefore be employed as money, and would be an addition of $\frac{1}{2}$ per cent to the existing quantity. Such an addition would scarcely occasion a perceptible rise of

prices for the first year, or even the second year. By the sixth year, however, it would amount to three per cent, and unquestionably all prices and wages, and among others, the wages of the miners would have a tendency to rise. The rise would, however, be checked by a slight increase in the consumption of plate, which probably after the fourth or fifth year would attract about the same proportion of the increased supply as it does of the present supply, leaving 1,000,000 lbs. or $\frac{1}{4}$ per cent to be annually added to the stock of money. Even at this rate, however, in about twenty years there would be an increase in the stock of money, and a rise in prices and wages of 5 per cent. The worst mines would now cease to be worked. To what extent this would check the depreciation occasioned by the newly discovered mines would depend on the quantity of silver which had been annually produced by the mines abandoned. If this had amounted to 200,000 lbs., the operation of the newly discovered mines would be weakened by $\frac{1}{10}$ th. It would require 22 years before there could be a further addition of 5 per cent to the existing stock of money, and a further abandonment of the mines now become the worst in use. In the meantime the increase in the annual wear of the increased quantity of plate and money would begin to show itself, and would again diminish the effect of the new mines. The operation of the new mines in adding to the existing stock of money would be thus gradually diminished, until a point was reached at which the annual supply and consumption of silver would then be stationary; and the only result would be that plate would be more easily obtained, and all prices and wages higher in silver than before.

Such must have been the steps by which, when the first American mines were worked, the greater part of the European mines became unprofitable, and by which the mines of Potosi afterwards occasioned the earlier American mines to be abandoned.

The effects of a diminished fertility of the mines would be equally gradual. Suppose when the Mexican mines were annually producing 1,640,000 lbs. of silver, a popular insurrection had destroyed suddenly and irretrievably the works of mines producing annually 1,000,000 lbs. As the existing stock of plate and money would in the subsequent year suffer its usual waste of 2,000,000 lbs., and receive a supply of only 1,000,000 lbs., the existing stock would be diminished by $\frac{1}{600}$ th part. So slight a diminution would not perceptibly diminish the consumption of plate. The whole annual supply would therefore be converted into plate, and the waste of

money which we have computed at 1,000,000 lbs., or 1/400th part would not be replaced. As soon as the reduction in the quantity of money was sufficient to raise its value and sink the wages of the miner, a mine less productive than the worst previously in use might be worked. But by this time the increased cost of plate would somewhat check its consumption; instead of attracting all the supply of silver it would again divide it with money. Still while the waste continued greater than the supply worse and worse mines might be gradually brought into use, until the gradual increase of the supply and diminution of the waste should bring them back to balance one another. The value of silver would then again be stationary, and the only ultimate result would be that prices in silver would be rather lower and that plate would cost more than before.

The slowness with which any alteration in the productiveness of the mines shows itself is strikingly proved by the fact that civil disturbances have rendered the Mexican mines almost totally unproductive for fifteen years—so much so indeed, that silver has been sent to Mexican mines from Europe, and yet the general value of silver has suffered no perceptible alteration.

I must add that to simplify the question I have omitted a circumstance which must considerably retard the operation of an increase or diminution in the demand for silver in increasing or diminishing its supply, and that is, the quantity of fixed capital which in every mine forms a considerable portion of the expense, and in the least productive, or, in other words, the most expensive mines, is the principal expense. The piercing and walling of three draught pits in the Valenciana mine cost £240,000 and in 1803, the date of Humboldt's account of that mine,²⁹ another draught pit had been 12 years in progress, which was expected to cost £212,000 and to be completed about the year 1815. The *haciendas de beneficio*, or works for reducing the ores, are also buildings of great extent and expense. Those belonging to the Real del Monte mine are stated in an account of that mine appended to the third report of the Real del Monte Company, to have cost 527,000 dollars. In the same report the adit to these mines, or passage for draining them, is said to have been thirteen years in progress, and to have cost 1,000,000 dollars. And we know that the different companies succeeding to mines in which an enormous amount of fixed capital has been already invested have spent very large sums, and as yet obtained scarcely any returns. Such capitals resemble bodies

which require a long continued impulse to set them in motion, and continue to move long after that impulse has been withdrawn.

The general result of all these observations is, that the durability of silver and consequently the small proportion which the annual supply and waste bear to the whole quantity in use, the readiness with which the demand for plate and money counteract one another, the time which must elapse before new mines can be made productive, and the reluctance with which old ones are abandoned, must occasion any cause tending to increase or diminish the motives, or the labor necessary to obtain a given quantity of silver to be of very gradual operation. Though an increase or diminution in the Mexican demand for foreign commodities, or an increase or diminution in the fertility of the Mexican mines would increase or diminish the motives, or the labor necessary to produce a given quantity of silver, and ultimately increase or diminish the annual supply, yet a long period, as we have seen, must elapse before the diminution or increase in the quantity of money and plate in the rest of the world would be perceptible. And though an increase or diminution in the foreign demand for plate or money would ultimately increase or diminish the annual supply from Mexico, yet for a considerable time the increased demand for the one might be supplied at the expense of the other without producing any perceptible effect, and after the effect became perceptible in Mexico, a further period must elapse before it could bring new mines into work, or cause the abandonment of old ones.* ²³⁰

2. Effect on Prices of Variations in the Relative Values of Gold and Silver. I [now] propose to consider the causes which regulate the relative values of gold and silver. The whole quantity of gold in use in the world is supposed to be about 12,000,000 lbs. troy, being about 1/50th part of the quantity of silver. Of this about 7/9ths have been supplied by America, and the remainder by Europe, Asia, and Africa. Gold has all the qualities which fit silver to be used as money, and for ornamental purposes; but in a higher degree. It is more ductile, less susceptible of rust, more beautiful, and more difficult of acquisition. It is therefore more valuable, though not so in the same proportion in every country: the average proportion in Europe is 16 to one; in Asia it is from 12 to 10 to one. It is obtained almost exclusively by washing the sediments of auriferous streams—an employment requiring scarcely any capital or skill, and which furnishes the metal in a perfectly pure state.

The value of gold in Europe as compared with silver must depend on the whole amount of each which is demanded; and the sacrifices which in each case are required to enable the respective amounts of each to be supplied. If the demand or supply of either were to increase or diminish, their proportionate values would be altered. If the taste for gold trinkets were to increase—if, for instance, solid gold buttons were indispensable parts of every gentleman's dress, or if it were possible that the long-sought *aurum potabile* could be discovered, and it should prove to be the universal medicine which the chemists of the middle ages expected, it is probable that the whole present annual supply of gold would not be equal to the annual waste in jewelry, buttons, and medicine. That supply has been calculated at about 35,000 lbs. troy, being about the quantity of gold contained in 1,600,000 sovereigns; half of which probably, to speak very vaguely, may be employed in jewelry and gold plate, and the remainder as money. The immediate consequence of the new demand would be that a considerable part of the gold now used as money would be applied to other purposes. The value of gold would rise and the gold still in use as money, though less in quantity, would bear the same value as the whole amount of gold money bore before. More labor would be applied to the production of gold, and, as soon as the quantity annually produced equaled the quantity annually consumed, the value of gold would become stationary, but at a higher point, with respect to silver and all other commodities than it stands at now.

If, on the other hand, the demand for gold trinkets and plate were to diminish, if the whole Christian world were to adopt Quaker forms of worship, and a Quakerlike simplicity of dress, a great deal of gold would be withdrawn from ornamental employment, and would be used as money. The value of gold would fall and the gold employed as money, though more in quantity, would bear the same value as the smaller quantity bore before. Less labor would be employed in the production of gold, or rather its production would be suspended, until the annual waste uncompensated by an annual supply should have so reduced its quantity, and increased its value, as to allow its production to be recommenced. The production and consumption would then again balance one another, and the value of gold would again be stationary, though at a lower point both with respect to silver and all other commodities than it stands at now.

It has been supposed that an alteration in the supply either of

gold or silver would affect the general value not only of the metal in which the alteration took place but also of the other metal. If they were mutually substitutes for each other like the silver of Europe and America, unquestionably it would be so. But with the exception of watch cases and lace, gold and silver when used as commodities are scarcely ever applied to the same purposes. We scarcely ever see trinkets of silver or spoons or forks of gold. Nor is it likely that in the respective supplies of the two metals there will ever be such an alteration as to ornament our sideboards with gold or our ladies with silver. And until this takes place the abundance of gold, though it would cheapen trinkets and gilding, would not supply the place or diminish the want of silver plate; and the abundance of silver, though it might banish pewter, would leave the demand for gold chains or ormolu unaffected. And we have seen that the value of a metal, as money, depends on its value as a commodity. If we suppose a nation using a currency composed of both metals, for instance of 1,000 ounces of gold and 15,000 ounces of silver, the value of gold being 15 times that of silver, and an increased supply of gold to reduce its value to only ten times that of silver, 1,500 ounces of gold would be only of the same value as the 1,000 ounces were before; prices in gold would rise 50 per cent; prices in silver would remain unaltered; and neither more nor less silver money would be required than before. And it is scarcely necessary to state that if we suppose a nation to use only one of the metals as money its prices would be affected solely by an alteration in the value of that one metal.

The only case in which I can imagine an alteration in the general value of one metal to affect the general value of the other is in a country using both metals equally as money, and prescribing an unvarying proportion for their mutual exchange. Suppose the currency of that country to consist of, as before, 1,000 ounces of gold, and 15,000 ounces of silver, and suppose it to be penal to exchange the metals in any different proportion than one to fifteen, or to refuse payment in either metal. In such a country if an additional supply of gold should sink the value of gold over the whole world to only ten times that of silver, all payments would as far as possible be made in gold. Silver would become useless as coin, except for those small payments to which gold is inapplicable. The bulk of the silver coin would be melted down and exported to those countries in which it was allowed to exchange for gold in its fair proportion. And it would be difficult even to retain sufficient

for fractional payments. More gold would become necessary, and to a slight degree the value of gold would be raised rather higher, and that of silver sunk rather lower, over the whole world than their natural proportions. Such was to a certain extent the policy of this country until the [19th] century. Both metals were a legal tender, and their proportions were by law invariable, and whenever the natural proportion varied from the legal one, one of the metals went out of circulation. We have now made gold the only legal tender for all sums above 40s., and though we have not assimilated the proportion in which gold and silver money exchange to their general proportion in the European world we find no difficulty in keeping a currency composed of both metals.

The last general remark which occurs to me on the respective values of gold and silver is, that as gold is principally obtained by unskilled labor, unassisted by capital, and silver requires for its production more skill and abstinence than almost any other commodity, the value of silver as compared with gold may be expected constantly to sink in the progress of improvement. And such has actually been the case. In Europe gold is to silver as about one to sixteen. In Asia about one to ten. In Japan it is said to be about one to eight. At the commencement of the Christian era it is supposed to have been about one to ten in Europe. Two centuries ago it was about one to fourteen. And it is not impossible that at the beginning of the [20th] century ³⁰ it may be one to twenty.* ²⁸¹

3. Effect on Prices of Variations in the Cost of Importing the Precious Metals. I have now concluded the discussion of the causes which decide what shall be the cost of production of the precious metals in the places where they are originally obtained. But a more interesting question still remains, namely, the causes which decide at what expense they shall be imported into those countries in which they are *not* originally obtained.* ²⁸² Such countries bear a still stronger resemblance to our supposed insulated community of 10,000 families [referred to in the last chapter]. The rest of the commercial world is the silver mine, or the auriferous sand, to which each of them resorts in order to supply her annual consumption; and her gatherers of the precious metals are those who export her commodities.

During thirteen years, from 1829 to 1841, both inclusive, France imported 385,885,880 francs, or £15,435,435 sterling of gold; and 1,969,600,513 francs, or £78,784,020 sterling of silver; and exported 356,132,082 francs, or £14,245,283 sterling of gold, and 619,656,625

francs, or £24,786,265 sterling of silver;—showing that she requires for her own consumption, in plate and money, an average annual supply of both metals to the amount of 106,130,591 francs, or £4,245,223 sterling.³¹

We have no official data showing the annual supply required by the British Islands. Mr Jacob, in 1831, estimated the annual consumption of the precious metals in Great Britain, for all purposes except money, at £2,457,221 sterling.³² This estimate is treated by Mr. McCulloch as excessive.³³ But when we consider that Ireland is excluded, and that during the twelve years [1831 to 1843], the population of the British Islands has augmented by more than three millions, and our exports have risen from thirty-seven millions to fifty-one millions [in 1841, the last year for which accounts are available], it probably rather falls below than exceeds the present [1843] consumption in Great Britain and Ireland. If we add to this about £200,000 as the annual waste by loss and wear of money, the annual consumption of the British Islands may be taken at £2,700,000.

From whence do France and the British Islands obtain their supplies? From the whole commercial world. The annual export of British and Irish produce and manufactures, exceeds in value fifty millions sterling. The annual export from France of French produce and manufactures, exceeds in value thirty millions sterling. There is no portion of this great export of which the exporter, if he thought fit, might not receive the price in gold or silver. In fact, he almost always does receive it in gold or silver. There is much inaccuracy in the common statement, that the commerce between two countries, when the values which they reciprocally give and receive are equal, resolves itself into barter. It has a tendency to do so, because such a result is beneficial to all parties; but this arrangement is often defeated by local difficulties, or by ignorance of one person as to what has been done or is doing by another—an ignorance which occasions almost all the errors by which commerce is deranged.

The goods which are exported from Hull to Stettin are sold for Prussian thalers; those exported from Stettin to Hull are sold for English sovereigns. The English exporter wishes to convert his thalers into sovereigns; the Prussian exporter to convert his sovereigns into thalers. The ultimate resource is, that the Englishman has his thalers sent to him, and sells them for sovereigns to a London bullion merchant; and the Prussian receives his sovereigns, and

sells them for thalers to a Prussian bullion merchant. But this is a very expensive process. The voyage may take a month or more; the freight and insurance on bullion are considerable; and coined money is almost always worth something more than the mere metal which it contains. The best expedient of course is that the Prussian and English debt, so far as they are equal, should be exchanged; and, if the Englishman and Prussian are correspondents, this is done of course. But one debt may be much larger than another; or the two exporters may have different agents, who may not be acquainted with each others' transactions. In this case, the Prussian who has to send money to England will naturally endeavor to effect it by sending commodities. Supposing the expense of sending coin or bullion to amount to 10s. per £100, and the voyage to take a month, a profit of 10s. per month, or at the rate of six per cent per annum, would be obtained by sending goods, which would sell in Hull for merely what they cost in Stettin. If he could not send commodities, he would endeavor to find some one to whom money was due in England, who would take his Prussian money, and transfer to him his English debt. It would be worth his while even to pay, as a premium, anything less than ten shillings per cent—the supposed expense of remitting coin or bullion; and this premium might induce some one else to send commodities to England. If he could not make the proposed arrangement at Stettin, he might be able to make it at Danzig, or Berlin, or Leipzig. Or if money were due to him in Vienna, or in Paris, or even in New York, by persons to whom money was due in England, it might be worth his while to direct his debtors in Vienna, or Paris, or New York, to discharge their debts to him by discharging his debts to his English creditor, and thus prevent the transit of money.

It is in this manner, by the exchange of debits and credits, that the commerce of the world is carried on, and with a comparatively small transmission of the precious metals. But, though the international circulation of the precious metals ³⁴ is comparatively small, it is positively great. We have seen that during thirteen years ending in 1841, France, while she imported gold and silver of the value of £94,219,455 sterling, exported gold and silver of the value of £39,031,548; all of which was exported merely to come back to her—the greater part being constantly passing and repassing between London and Paris. The expense, indeed, of sending money from Paris to London is so slight, that it may be supposed that no great effort is made to avoid it. But even between England and

China, where it costs an expensive and dangerous voyage, and a loss of six months' interest, vast sums go and return.

[From 1837 to March 10, 1843] we received eight or nine millions of ounces of silver from China. In that period we exported to China 122,840 ounces in 1837; 125,197 in 1838; 947,256 in 1839; 322,446 in 1840; 127,797 in 1841; 1,040,194 in 1842; and 164,000 ounces in the first ten weeks of 1843. During that time, there could have been seldom less than half a million of ounces on the sea, going backwards and forwards merely between England and China. And yet, what we send to China does not amount to one-twentieth part of our annual exportation of the precious metals. From the beginning of 1837 to the 10th of March, 1843, we exported 2,062,247 ounces of gold, and 87,555,117 ounces of silver, of the aggregate value of £29,918,653, besides the amount recorded in the custom-house;—an amount which may be very large, as there is no penalty on nonentry.³⁵ What we imported during that time is not recorded; but according to Mr. Jacob's estimate—which appears to me, as I have already stated, to be rather below than above the truth—that we annually consume £2,700,000 by the wear and loss of plate and money, our importations cannot have amounted to less than £43,318,653, or more than eight millions sterling a year. A sum equal, according to Mr. Jacob's estimate, to the whole metallic currency of Europe, (£313,388,560) enters France in less than fifty years; and the British Islands in less than forty years. When the precious metals are in this state of constant motion—when every commercial country is every day receiving and parting with them at a thousand inlets and a thousand outlets—to suppose that one nation can drain another, is as rational as to suppose that the level of the British Channel could be altered by enlarging or contracting the Straits of Dover.

Without doubt it is in the power of a nation, not by commercial, but by monetary regulations, to increase or diminish the amount of its metallic money. If we were to make silver instead of gold the British standard, we might reverse the existing proportions of the British currency. From thirty millions of gold and ten of silver, we might constitute it of thirty millions of silver and ten of gold. By issuing inconvertible government notes to effect all the larger payments, and copper coins for all the smaller ones, and rendering the use of gold and silver money penal, we might banish both metals from our circulation. Or, by prohibiting the issue of notes and copper coinage, or by internal commotions restrictive of

credit, and consequently of the banking operations which depend on credit, we might render our currency exclusively metallic; and require 80 millions of metallic money instead of 40. But those measures would affect the value of the precious metals only so far as they affected the cost of obtaining them. Whether our currency consisted of 30 millions, or 10 millions, or 60 millions of sovereigns, the value in Great Britain of each sovereign would always depend on the amount of British labor necessary to obtain one.

France, with a population of 34 millions, is supposed to possess a currency of more than 120 millions sterling.³⁶ The British Islands, with a population of 28 millions, possess a currency of only 40 millions. There is much less division of labor in France than in England; and consequently there are much fewer exchanges in proportion to the population. The general scale of prices is much lower, and consequently each exchange, in which money is employed, can be effected with less money. But the effects of the causes which tend to diminish the quantity of the precious metals in France are more than counterbalanced by those which tend to increase it. In the first place, the general want of credit occasions the use of money in exchanges, in a proportion, perhaps, ten times as great as in England; and secondly, money is exclusively employed in France as a safe, though unproductive investment. The French peasant accumulates specie until he can buy a patch of land—the only investment which, from the tradition of centuries, he believes to be secure. The English laborer either expends all that he earns, or lends his savings to the Government, through a savings bank, or to a neighbor, or employs them in some retail trade. Perhaps half the money of France does not change hands once in ten years. In England there is scarcely a hoard, except the specie in the vaults of the bank. But though France has nearly three times as much money in proportion to her population as England, gold and silver are more than one-third dearer in France than in England. It costs a Frenchman more labor to obtain two ounces of silver, than it costs an Englishman to obtain three.* ²⁸³

[The causes which regulate the money wages of labor will be discussed at length in another Part ³⁷ of this treatise. In the next chapter] I shall consider the effect produced on the value of money in any country by the use or disuse of the substitutes for money. These effects [unlike those occasioned by alterations in the efficiency of labor], are sudden but transitory.* ²⁸⁴

CHAPTER V

HISTORY AND THEORY OF PAPER-MONEY INFLATION

1. Power of Government to Alter the Value of Money. 2. Bank-of-England Notes and the Depreciation of the British Currency. 3. The French Government and John Law's Mississippi Scheme. 4. The Assignâts of the French Revolution. 5. Experience in Other Countries.

1. Power of Government to Alter the Value of Money. If a country should suddenly adopt to a considerable degree any substitute for money—if, for instance, England having previously prohibited the issue of notes for small sums payable to bearer, should suddenly legalize them—and notes equal in value to one-third of the former metallic currency, which we will suppose to have been of the value of £45,000,000 sterling should be issued, either the issuers must at the same time that they issue their notes export the money they receive in exchange for them, or both the notes and the money must circulate together. If the first mode were adopted, it is obvious that the real exchange must be against England in almost every quarter, until the export of money had ceased. We should for a time be in the situation of a mining country and, as neither the productiveness of our labor nor the amount of our currency would be altered, the only consequence would be that some foreign commodities would be more abundant during the continuance of the increased importation; that our capital would be increased by that portion of them which would be reproductively employed, and that we should be able to turn to other purposes some of the labor and abstinence formerly employed in supplying the wear and loss of £15,000,000 of specie—a saving perhaps of £150,000 a year. All the consequences of such a transaction would therefore be beneficial.

But unfortunately the business would be very differently conducted. The issuers of notes are seldom persons engaged in foreign commerce, and they seldom issue them in immediate exchange for money. Notes are generally advanced as loans repayable at the earliest in two or three months, and often in not less than two or

three years. In the case which I have put, the coin and the notes would at first probably circulate together. All prices would rise, and they would rise not merely to the extent of the excess of the money, but to the spirit of speculation which such an excess would create. While the rise of prices was going on all purchases made for the purposes of resale, would be advantageous. Great profits would be obtained and still greater ones expected, and every man possessed of money or credit would be eager only to become a purchaser feeling no doubt of his gains as a seller. Such circumstances would obviously check our exports and increase our imports. It would become profitable in England to import many things which, when foreign and English prices bore their former relation, would not bear the expenses of transport. It would no longer suit foreigners to import many things from England which were importable at our former prices.

The necessary consequences would be a generally unfavorable exchange, and an export of money. As long as the issue of notes continued to exceed the export of money, prices would continue to rise and the apparent prosperity would go on increasing. And, if we could suppose both the issuers and takers of notes utterly ignorant or regardless of the consequences of what was going on, the issue might continue until the last piece of metallic money had been exported. The crash would then be instantaneous. As prices would then be at their height, so would be the profits on the exportation of money. Those holders of notes, who were sending money abroad, would call on the issuers of notes for payment in money; and there being no money in the country every issuer of notes must stop payment. No more notes could be issued and the existing ones would lose their value. The country would be without money and without the principal substitute for money, credit. There would, at first, be no such thing as price, but exchanges would be performed by barter; and we may be sure that the discomfort and insecurity of a state of barter would create an intense desire for money. The holders of bills on foreign countries would require their remittances to be made in money. Importation would of course be suspended and the exchange would be in our favor with all the world. Money would come in from all quarters, though for several reasons less rapidly than it went out.

In the first place, the competition of our exporting merchants would sink the prices of our commodities abroad; and secondly, the waste and misapplication of capital during the previous period of

prosperity, the difficulty of obtaining supplies of foreign materials from abroad during our subsequent adversity, and the interruption of that division of labor which is founded on a general system of credit, would probably much diminish the productiveness of our labor. The last circumstance, by diminishing the value of English labor in the general market of the world, would keep down while it lasted all our money prices. And it may be supposed, therefore, that the same amount of money as circulated before the issue of the notes took place would not now be necessary. But during the absence of credit, money would be the only substitute for barter. The exchanges in which it would be necessary would be far more numerous and its circulation far less rapid. If £45,000,000 sterling were necessary before, it is probable that after such a panic as must have been created by the events which I have supposed, £90,000,000 would not be enough even to keep up prices at three-fourths of their former amount.

It is impossible, however, that such a state of things should occur that a whole country should at once find itself drained of all its money, unless the imprudence of individuals were heightened by the still greater imprudence of government. In the first place, no banker issues notes without making some reserve of metallic money to keep them. Even if the shock were unforeseen and the discredit of all the notes simultaneous, there would be some money in the country to meet it. And in the second place, the shock could not be unforeseen, nor the discredit universal or simultaneous. The credit, the prudence, and the wealth of the issuers of notes must be of every different degree. In such a country as England there are some bankers whom no individual would trust with £500, and who might be reduced to insolvency by an unexpected demand for £1,000; and others who at a day's notice could draw from their own resources millions, and obtain tens of millions from their connections. There are some who move in the track which experience has shown to be safe, with the impassive regularity of mechanism; and others who, when extraordinary gain is suggested to them, seem not only willing to encounter chances, but to be deprived of the power of calculating them.

It is impossible that the rise of prices and extension of speculation which I have supposed, could continue long before accident or imprudence should expose some establishments to a demand for money which they would be unable to answer; a general feeling of distrust would follow, and would cause a simultaneous demand for

money for notes, or, to use a word which the unhappy experience of the year 1826 has rendered familiar, a "run" upon all those establishments whose character for riches did not place their solvency above suspicion—at first indeed an indiscriminate run upon all. The first effect of this would be to bring out the reserves of money; the second would be the failure of many establishments, and the discredit of their notes, but many would probably stand it, and suffer scarcely a momentary interruption of their credit and circulation. Prices certainly would fall, the exchange would turn in our favor, money would come in, thousands would be ruined irretrievably, and years might be necessary to restore the country to its former state of settled prosperity; but all these effects would be produced in a lower degree than in the extreme instance with which I set out.

It will be observed that I have allowed nothing for the general fall in the value of the precious metals throughout the world, which would be expected to arise from the additional supply afforded by the disuse of metallic money in a single country. Some effect of this kind would be produced, but it would be so slight that it may safely be disregarded. The whole amount of the precious metals throughout the world is supposed to be of the value of about 2,000 millions sterling. The whole currency of Great Britain and Ireland is not supposed to exceed 30 millions; and is subject to much variation, but I believe it is usually much less. Even if we were to export our last sovereign, and our last shilling how trifling would be the effect in the general market of the world of an addition of 30 millions to two thousand!

The power of individuals, therefore, to affect the currency of a country is limited; that of government is not so.

Suppose that at the commencement of the panic imagined in my last instance government had taken one banking establishment under its protection; had forbidden it to pay its notes in coin or in any other equivalent; had permitted it to issue and continue to issue fresh notes to any amount; had directed that its notes should be received in all payments to government and in private transactions, as of equal value with the money which they professed to promise to pay, and had prohibited the exchange of coined gold and silver of more than an equal nominal amount in notes.

It would be in the power of the bank in question by lending to the different banks in the country a sufficient number of its own notes—notes which would cost merely the expense of making and stamping

paper—to relieve the difficulties of those which were tottering, to fill the void of those which had fallen, and to enable all those which had still a reserve of metallic money to make use of it, keeping the notes of the favored bank in its room. And it would also be in its power by still further increasing its issues, either by way of loan, or by dividing them as profits between its own partners, to keep up the high prices and the unfavorable balance, until the last piece of coined gold or silver had quitted the Kingdom.

It would be in its power by still further increasing its issues to raise prices as estimated in its paper to any scale it thought fit. It would also be in its power by diminishing its issues, to sink them to any point not lower than the metallic prices of foreign countries. It could not sink bread to a farthing a quartern loaf, but it could raise it to a hundred pounds.

The real par of exchange between England and foreign countries would be at an end. English paper money having neither intrinsic utility nor ascertainable limitation of supply, would be incapable of export. It still, however, must be used as a medium of exchange and an expression of value even in international transactions. The French exporter of wine to England must in the first place sell his wine for a certain quantity of English notes of a given denomination. These notes, as he could not export them, he must again exchange for some other commodity in England; and his profit or loss would depend on the comparative values in France of that commodity, and of his wine, after deducting the expenses of carriage.

We have already seen that no commodities are so permanent in their value, so uniform in their quality, or so easy of transport, as gold and silver. The quantity of gold or silver which they could produce would unquestionably be the standard by which he would estimate the value of the English notes which he received for his wine. His gold and silver would of course be in an uncoined state, or, in commercial language, bullion. If five French napoleons and four English sovereigns, while English sovereigns existed had each contained the same quantity, say one ounce of gold bullion, the real par of the exchange between England and France would of course have been five napoleons for four sovereigns. If four English notes, professing to promise to pay four sovereigns, would purchase in England only half an ounce of gold bullion, the nominal exchange would be 50 per cent against England; or, in other words, a bill in France on England for 800 sovereigns, which if payable in coin would have sold in France for 1,000 napoleons, would only sell

for 500. A bill in England on France which would have sold for 400 coined sovereigns, would sell for £800 payable in notes. And supposing the transactions between England and France to be equal in amount, they would be adjusted by the exchange of bills at this rate of exchange. If, however, the exports from England to France should exceed the value of the imports—if, for instance, the French had to pay us 5,000 napoleons, and we had to pay them notes to the nominal value of 4,000 sovereigns—bills for 2,500 napoleons would be capable of discharging the whole English debt. In that case the remaining 2,500 must be sent from France in gold and, as all the English creditors would be anxious to avoid the expense of transporting the gold, they would be willing to purchase French bills on England which would entitle them to obtain payment from their own countrymen at the rate of something more than 8 sovereigns for five napoleons. Instead of being 50 per cent against England, the nominal exchange might for a time be only 48 or 49 per cent against England. And by reversing the facts we may suppose it to be 51 or 52; 50 being always the central point to which it would tend while the quantity of bullion contained in a napoleon, and that purchasable with an English note for a sovereign continued to bear the same proportion to one another.

It may however be supposed that we should have no bullion. While the exportation of our coin was going on we certainly should have none, as it would not be our interest at the same time to import bullion and export coin. But before our export of coin began we must have been in the constant habit of importing from the mining countries a certain quantity of bullion to supply the waste of coin and plate. After our export of coin had ceased we could have no difficulty in renewing that intercourse. The bullion trade, as it is essentially a trade of barter, would probably be the least disturbed of all our foreign relations. There would still be the same demand for English commodities in the mining countries, and the same supply of gold and silver offered in exchange for them. To a very slight degree indeed we should obtain bullion on better terms than before: first, because we should want rather less of it—our annual waste of coin being at an end, and our imports of bullion confined to the supply of plate, and the small stock necessary to meet sudden alterations in our real exchange with other countries; and secondly, because our export of coin would have had, as I observed before, a very slight tendency to increase the supply of bullion in the rest of the world. The real price, the sum of the produce of English

labor and abstinence which we should pay for a given quantity of bullion, would be governed by the same causes as before. It would still depend on the cost of producing in the mining countries the whole quantity of bullion which they exported, the amount of that quantity, and the portion of it which they would be willing to give in exchange for the results of a given sum of English labor and abstinence. And as none of these circumstances would be altered, or, if altered, altered slightly in our favor, there is no reason why our supply of bullion should be more difficult or its value less steady than before.

It would however appear more unsteady, because real variations in the value of the precious metals, which are not easily ascertained when they are employed in the form of money, would now be detected. As the mint in this country returns an equal weight of coin for gold, when we say that the mint price of gold is £3 17s. 10 $\frac{1}{2}$ d. an ounce we merely express that two pounds of gold are coined into 89 pieces called guineas, and that 20 lbs. of gold are coined into 916 pieces of coin called sovereigns. And it is obvious that while gold money is our medium of exchange the market price of gold bullion can never be above the mint price; for no man would give more than 89 guineas, that is 2 lbs. of coined gold, for 2 lbs. of gold bullion, that is 2 lbs. of uncoined gold. And if there were a mint in every town which on demand exchanged coined gold for bullion, the market price of gold bullion could never be below the mint price; as no man would give 2 lbs. of bullion for less than 89 guineas, when he could obtain 89 guineas for it without delay or trouble at the mint. As we have however but one mint, and that mint does not give coin for bullion till after a short delay, the market price is sometimes below the mint price. When the delay was six weeks the difference was sometimes 4 $\frac{1}{2}$ d. an ounce, or in other words, 208 ounces of bullion might be purchased with 207 ounces of coin. And it is obvious also that no increase or diminution in the expense of procuring bullion would in the slightest degree affect its money price, as any cause which should raise or depress the value of 2 lbs. of gold would equally raise or depress the value of the 89 guineas into which it may be coined and which form its money price.

But when our medium of exchange became paper, the market price of bullion though it could not sink below the mint price, might rise to any extent above it. I started with the supposition that our currency, when notes were first introduced amounted to £45,000,000

sterling; and I will also suppose that at that time 2 lbs. of gold were coined into 89 guineas, or in other words, that the mint price of gold was £3 17s. 10 $\frac{1}{2}$ d. per ounce. If we suppose the £45,000,000 sterling of metallic money displaced by an issue of notes of the nominal value of £90,000,000 sterling, though the same amount of English labor and abstinence would still obtain from Brazil an ounce of gold, yet as the nominal sum which must be paid as wages and profits to the persons who produce the English commodities in exchange for which it is obtained would be doubled, when expressed in notes; the price of the gold in notes, would be doubled also, or the persons employed in producing commodities for the purpose of obtaining gold would not be on a par with the rest of the community. Gold bullion therefore would rise to £7 5s. 9d. an ounce; and as long as the cost of obtaining gold and the amount of our paper currency each remained unaltered, the price of gold would be steady at £7 5s. 9d. If however the cost of obtaining gold should increase, (which of course might arise from any cause which should diminish the power of the South Americans to produce it, or their demand for English commodities) the market price of gold might rise, though the amount of our paper currency should remain unaltered. We have seen that with a gold currency this effect could not be produced. Our inconvertible paper currency would therefore afford a new test of alterations in the value of gold.

With our present currency, if the cost of obtaining gold should increase five per cent, it probably would be long before the fact would be acknowledged. The fall of price in each particular instance would be attributed to some fact connected with the commodity itself. Corn would fall from three guineas to three pounds a quarter. It would be said that the harvest was better than had been supposed. Labor would fall—that would be attributed by most reasoners to the fall in the price of corn;³⁸ and the fall in the price of almost all other articles would be attributed (and rightly enough) to the fall in the price of labor. At the same time there is no doubt that some of the commodities the supply of which depends on the seasons would rise, as no season is equally favorable to all. This would help to keep the real fact out of sight; and it could be proved only by a very wide induction, and after a considerable period. But with a paper currency, if other prices remained unaltered, and bullion rose, the fact would at once be attributed to its true cause.

But if an increased cost of obtaining bullion, and an increased

issue of notes should be contemporaneous, there would probably be a considerable difficulty in apportioning the consequent rise in the price of bullion between the two causes. And the difficulty of estimating the part to be attributed to the increased expense of obtaining bullion would be still greater if instead of, or contemporaneously with, the issue of notes there should be an increased rapidity in their circulation, or an increased use of credit, or of balancing accounts, or of any other substitute for money. When the use of these substitutes for money increases in a country employing a metallic currency, they cause a rise in prices to their former level. In a country possessing solely an inconvertible paper currency, they must operate solely by producing a rise of prices.

In my hypothesis I have supposed a substitution of £90,000,000 of paper for £45,000,000 of money. In such a case the facts would be so glaring that no one could doubt that the profuse issue of paper had occasioned almost all the alterations observable in prices. But if the issue had been gradual and there had never been more than £60,000,000 in notes at one time in circulation, if the circulation of the inconvertible paper had lasted ten or twelve years, and if during that time variations might have been supposed to have occurred from time to time in the expense of obtaining gold, in the rapidity of our circulation, and in the use of substitutes for money, much dispute would probably arise as to the causes of the variations of the market price of gold from its mint price, and as to the respective force of those causes. Some would say that it was not the paper that had fallen, but the gold which had risen; or, in other words, that the market price of gold was above its mint price, not because more notes had been issued than the amount of the metallic money previously in circulation, but because the expense of obtaining gold had subsequently increased. Others would consider the rise of prices as principally occasioned by those improvements in banking and commerce which diminish the use, and quicken the circulation of money; and others probably would deny the existence of either of the above causes, and attribute the whole difference to the amount of the issues of paper.

And history bears me out in saying that there would exist a body who would deny the existence of any difference at all, and who would after debate solemnly resolve that when 89 guineas would purchase 24 ounces of gold bullion and £94 in notes would not purchase 19 ounces, the notes were more valuable than the guineas; or, to put it in a different shape, that when 100 sovereigns would

purchase £150 in notes, yet that £101 in notes were of more value than 100 sovereigns.* ²⁸⁵

2. Bank-of-England Notes and the Depreciation of the British Currency. [The reader] must have long been aware that in my supposition of a country using a currency composed of inconvertible paper I have been describing England during the continuance of the Bank Restriction law.

Before the memorable year 1797 the Bank of England was, what it now is again, a corporation of great wealth, issuing notes payable in gold, and protected by no privilege from the necessity of making that payment on demand. In the beginning of that year circumstances, which I will not now attempt to explain, occasioned a run upon the bank, to which the directors believed their reserve of gold to be unequal; and in an evil hour for the country, though a fortunate one for the bank, they begged the assistance of their principal debtor, the government. "Silver and gold I have none," replied Mr. Pitt, "but what I have I give thee." And he gave them an order restricting the bank from paying its notes in gold—a restriction which after some interlocutory prolongations, was extended to six months after a general peace, and which in fact continued in force nearly a quarter of a century.* ²⁸⁶

The question, whether the first restriction of the Bank of England was or was not justifiable, must be admitted even now [1846,] with all the lights afforded to us by experience and by discussion, to be one of considerable difficulty. If that restriction had been imposed merely to save the bank from the consequences of its own imprudence, or merely for the purpose of enabling it more easily to make advances to the government; or if Mr. Pitt had foreseen the length of the period for which it was to endure, the mischiefs that it would occasion during its continuance, the ruin that might accompany its termination, or the lasting burdens that it would entail—no reproach would be too severe for his misconduct. But its object was to meet a sudden emergency, a contraction occasioned by the hoarding of specie, by the fears of immediate invasion, by large subsidies to foreign powers, and by the distress and want of confidence produced by a war, expensive and dangerous beyond all experience, which our habits were not yet formed to sustain, and which our leaders had not yet learned to conduct.

I am inclined to believe that, as far as the Bank of England was concerned, the error was not the imposition of the restriction, but its continuance. And even that continuance was, during its first

seven years, in fact during the remainder of Mr. Pitt's life, dangerous rather than mischievous. Its dangers can scarcely be exaggerated. It enabled the bank directors to change at their pleasure the standard of value of the country; and made it their interest, both as individuals and as governors of their corporation, to do so. They might have doubled or quadrupled, or much more than quadrupled, their discounts, by charging a rate somewhat below the average rate of interest; and by confining, as in fact was their practice, their discounts to bills not having more than sixty-one, or at most ninety, days to run, they might have avoided the possibility of ever having to pay in gold the notes thus issued. Since, by ceasing to discount within three months of the time at which cash payments were to be resumed, their notes would be sure to come back to them, before that period, in discharge of the discounted bills. The whole interest would have been pure gain; and we now know that those who then managed the bank were unaware of the evils which such a conduct must have produced.

In the remarkable examination of Mr. Whitmore and Mr. Pearce, the governor and deputy-governor of the bank, before the Bullion Committee in 1810, they admitted that in deciding as to the amount which they should issue, they never adverted to the value of their notes in the precious metals; they affirmed that "the price of bullion, or the state of the foreign exchanges, could never be a reason for lessening the amount of notes to be issued."³⁹ They affirmed that bank notes could never be in excess, provided they were issued by discounting bills drawn by a real purchaser in favor of a real seller, "since no one would pay interest for a note that he did not want to make use of."⁴⁰ They were asked, "Would the same security against any excess of issue exist if the rate of discount were reduced from five to four per cent?" and they answered, "The security would be precisely the same." "If it was reduced to three per cent?" and they answered, "There would be no difference."⁴¹

We now know that the demands of commerce for loans and discounts at a rate below the usual rate are insatiable. When the rate of interest is five per cent, the man who can borrow at four makes a profit proportioned to the sum which he borrows. With a metallic money, or with a paper money payable in metallic money, such transactions do not add to the amount of the currency, though they may enable it to circulate more rapidly; but an inconvertible paper currency may thus be increased without limit. I believe that

the Bank of England is a solitary instance of any approach to moderation in the exercise of such a power.* ²⁸⁷

I do not admit the generally received doctrine of a depreciation of British currency, coexistent with the whole period of the restriction of cash payments. I believe, with Mr. Tooke, that depreciation did not begin until the latter part of the year 1808. As I cannot explain the moderation of the bank during the first five years of the restriction, by imputing to its directors a knowledge of the principles by which their issues ought to have been regulated, I think that Mr. Tooke's mode of accounting for it must be adopted,—namely, that they adhered to the routine of their establishment, and that that routine accidentally preserved them from a conduct to which they were exposed, by their neglect of the foreign exchanges and of the price of bullion.

This routine was to discount at five per cent first-rate bills, having a short period to run, and founded, as we have seen, on a real transaction. But on such bills, five per cent discount was a very high rate of interest. In ordinary times, they may be discounted at three, or two and a half, or even two per cent. The public, therefore, did, in the words of the directors, control the issues of the bank. On the terms imposed by the bank, it did not ask for more than the bank could supply, without materially affecting the value of its notes.

The fate of the Bank of Ireland affords an instructive illustration. In the blind spirit of imitation in which English laws are often imported into Ireland, an Irish Restriction Act followed immediately the English Act. It was preceded by no inquiry into the circumstances of the country,—indeed, if any such inquiry had been made, the Act could scarcely have been passed. The exchange between England and Ireland had long been, and then was steadily in favor of Ireland; there was no want of specie, and no run on the bank was even thought of. However, it was passed “for the sake of conformity.” In the same spirit of conformity, the Bank of Ireland discounted good bills, with sixty-one days to run, at five per cent. But the ordinary rate of interest in Ireland was then six per cent. The consequence was, that the Bank-of-Ireland notes in circulation, which, on the 1st of April, 1797, immediately after the passing of the Act, amounted to £737,268, rose in the following progress:

1st April, 1798, to.....	£1,225,525
..... 1799, to.....	1,737,879
..... 1800, to.....	2,482,162
..... 1801, to.....	2,626,471
..... 1802, to.....	2,816,669

The natural consequences followed. The exchange on England fell to 10 per cent; a gold guinea sold for a paper guinea and 2s. 8 $\frac{1}{2}$ d. premium; all good silver money disappeared, and its place was supplied by a base counterfeit coinage worth about 25 per cent of its nominal value. The Irish treasury refused to take this coinage from the post office, and consequently the postmen refused it from the public, and detained all letters. Customers were forced to run in debt, and tradesmen forced to give credit from the absence of change. Ireland, in short, exhibited the disease with which she had been inoculated by England; but, as might have been expected from the weakness of the patient, in a more virulent form.

At length, the dangers which Lord King had pointed out actually burst also upon England. The bad harvests of 1808, 1809, and 1810—the vast foreign expenditure of the government, the exclusion of British manufactures from the Continent, and of British shipping from the Continental ports, the enormous freights and insurance at which we were forced to import in foreign bottoms, the sudden opening of the South American markets, and the mistakes of our merchants as to the extent and the nature of the new demand—these causes created an amount of speculation, of failure, of discredit, and of commercial embarrassment, which had never been incurred before, and is not likely to be ever undergone again. The interest of money rose, and the bank, following their routine, went on increasing their discounts. Their private securities, consisting almost exclusively of discounted bills, on the 29th February, 1808, were £13,234,569; at about which amount they had averaged for the previous six years. They now rose as follows:

31st August, 1808	£14,287,696
28th February, 1809	14,374,775
31st August, 1809	18,127,597
28th February, 1810	21,055,946
31st August, 1810	23,775,093

The issue of notes exhibited a nearly proportional increase. On the 28th of May, 1808, it was £16,899,970; being also about the average of the previous six years. It rose as follows:

27th May, 1809	£18,252,780
26th May, 1810	21,073,580
25th May, 1811	24,446,170

The price of gold rose in the beginning of 1809 to £4 11s. an ounce. The exchange on Hamburg sunk from 35:5, its rate in July,

1808, to 26:6, its rate on the 28th of December, 1810, and that on Paris from 23:16 to 19:8.

On the 20th of June, 1810, the day before the Prorogation, the Bullion Committee delivered their well-known Report, in which they affirmed the existence of an excessive paper circulation; attributed that excess to the Restriction Act; and recommended a return to cash payments in two years. On the 6th of May, 1811, Mr. Horner moved resolutions embodying the conclusions of the report. They were proposed to an unreformed House of Commons and a Tory government; and when we consider the amount of the knowledge and intelligence of that house, and of the government, it is not strange that they were rejected by majorities of more than two to one. But, even after allowing in the large measure in which the allowance must be made, for the effrontery of the leaders, and the ignorance and subservience of the followers of the party in power, it is perhaps strange, that Mr. Vansittart's rival resolution,—“ That the promissory notes of the Bank of England have hitherto been and are at this time held to be equivalent to the legal coin of the realm,”—should have found any statesman to propose it, or any assembly to adopt it.

At the time when this resolution was carried, the price of gold had risen to £4 16s. an ounce, and the exchange on Hamburg had fallen to 24, and on Paris to 17:16.

Under such circumstances, Lord King resolved to show that *he* did not hold the promissory notes of the Bank of England to be equivalent to the legal coin of the realm.

He sent a circular to his tenants, holding leases granted before the beginning of the depreciation, or when it was less than at the date of the notice, requiring payment of the rent, either in guineas, or in Portugal gold coin of equal weight, or in Bank-of-England notes sufficient to purchase the weight of standard gold, requisite to discharge the rent.

It is very seldom, indeed, that the single act of an individual can do so much good as would have been effected by this notice of Lord King's, if Parliament had allowed him to act on it. It suggested a safe mode, and that the only mode, by which the public could, to a considerable extent, correct the errors of the government, and obtain, if not a convenient, at least a steady measure of value. Had not the legislative interference which I have to relate occurred, the example must have been followed. Some difficulty would have arisen at first. All landlords and creditors would not have

moderated their legal rights as equitably as Lord King; but this must have been set right by the courts of equity, or by law. As to subsequent contracts there could have been no real difficulty. Two prices, a gold price and a paper price, would have been established, and one understood where the other was not specified. The bank directors must have admitted that their notes were of less value than the coin which they promised to pay. They would have maintained probably that the variation was occasioned, not by the fall of their paper, but by the rise of gold. But however they accounted for the difference, they must have been anxious to remove it. Though they could neglect the foreign exchange, they could not have borne to see their paper in the British market at an open discount. Not long before, between February and August in 1795, they had reduced their circulation from £14,017,510 to £10,862,200; and in August, 1796, to £9,246,790;—a much smaller proportionate reduction would now have been sufficient to raise it to par. But even if they had persisted in their wild course, if they had increased their issues until, as was the case in 1814, they amounted to nearly twenty-nine millions, and gold rose to £5 10s. an ounce, still the mischief would have been much less than what really followed. The public creditors' loss would not have been greater, though it would have been more evident. But it is probable that the government would have been obliged, in its subsequent loans, to borrow and to pay in gold, and the national debt would now be less by many millions. The foreign exchanges would have been quoted in gold, and could not have risen or fallen beyond the expense of transmission. We should have saved in our imports and in our foreign expenditure the additional price which the foreign producer and merchant were forced to put on their commodities, in order to indemnify themselves against the contingency of a fall in the value of the unsubstantial paper pound, in which our contracts were actually made. And above all, we should have escaped all that part which was nominal, of the enormous rise of agricultural produce—of rents, and of encumbrances on landed property, that were the pretext for the Corn Laws which oppressed us for the last thirty years.

Diis aliter visum est. Among the anti-bullionists—a sect which, like the believers in witchcraft, has now been nearly dissolved in the blaze of political knowledge, but was then numerous and powerful—one of the most eminent was Lord Stanhope. The resolutions which he submitted to the House of Lords, affirming the total

unfitness of the precious metals to serve as a medium of exchange or a standard of value, and proposing to substitute for them forever inconvertible notes and transfers on the books of the bank, though now forgotten, expressed the opinions of a large portion of his contemporaries.⁴² He saw that we were in danger of returning to a metallic currency, and came to the rescue of his theory. On the 27th of June, 1811, he laid on the table of the House of Lords, a bill making it illegal to receive or to pay gold or bank notes at more or less than their nominal value. At first it was ill received by the government, and Lord Liverpool said that he should oppose it on the second reading. On the second reading, the 2nd of July, Lord King answered Lord Stanhope by a speech which is our only specimen of his powers as a speaker, since it is the only one that has been correctly reported. It shows how much we have lost. Nothing can be clearer, or more concise, or more complete, than his defense of the equity and of the expediency of his conduct.

Since the late decision (he said) of the House of Commons, it appears to be the declared intention of the government that the restriction shall continue to the end of the war, however distant that period may be. The subject is thus brought home to the individual interest of every man whose property is yearly, even monthly deteriorated. Every hope and prospect of amelioration being destroyed, there appears no choice but either to submit with tame resignation to receive payment in currency, of whatever value it shall please the Bank of England, in their forbearance and moderation, to permit henceforth to belong to the currency of the country; or to have recourse to the remedy which individuals possess by law. There is also another reason, which, I confess, has had some influence with me. It was asked insultingly, in another place, whether any person had ever yet ventured to refuse bank paper in payment or satisfaction of a lawful debt; and, on that foundation, it was attempted to be argued that, in point of fact, there existed no difference between paper and gold, and no actual depreciation. By bringing this question to issue, at least one of the remaining wretched supports of this fatal system will be overthrown. In this state of things, for the defense of my property, I have thought it advisable, to inform my tenants holding lands under old leases, and under old leases only, that I can no longer continue to receive bank notes at their nominal value. The plain broad principle upon which I have acted is, to require payment in a currency of the same intrinsic value which the currency possessed at the date of each respective agreement. Where, may I ask, is the hardship of this demand? In proportion as the currency is depreciated, the price of wheat, of cattle, of all the produce of the land, is augmented. The tenant suffers no loss,

if he is required to make only an equitable compensation; he has already received an advance in the sale of his produce; he is only prevented from acquiring an additional profit, to which he can have no just claim. To any increase of price, in consequence of the increasing opulence and prosperity of the country, the tenant is in every sense justly entitled. The two causes of the increased price are totally distinct: the one arises from the fair increased demand and consumption of the country, which may well have entered into the calculation of the amount of rent; the other proceeds from an anomaly in the currency, which never could have entered into the contemplation of the parties.

Having acted on principles such as I have described, and being satisfied with my own conduct, I shall not be deterred by clamor, or by any imputation whatever, by which it may be attempted to prevent me from insisting, at the same time with firmness and moderation, on a just and legal demand. It may suit the interest of some persons, by such unworthy means, to attempt to put down that which they hesitate and fear to do by legislative interference, notwithstanding the facility with which of late years acts of Parliament have been passed to suit the convenience or inconvenience of the moment. It was attempted in France to intimidate individuals who preferred the good metallic money to worthless assignâts, by branding them with the charge of incivism, or incivic practices, in the revolutionary phrase; and, to judge from the language of his Majesty's servants, who are endeavoring to inculcate the acceptance of paper money as a moral and political duty, we are here also to be governed according to the true Jacobin doctrine, which required individuals to regulate their conduct, not by their own proper interest and convenience, but according to some speculative principles. In a well-regulated state, the proper interest of individuals is inseparable from that of the government; and it is the duty of government to take care to avoid any system or state of things in which individuals, pursuing their own interest, and acting legally, shall have the appearance of acting at variance with the public interest. If the notes of the Bank of England are not depreciated in value, and if, in fact, there is no difference between paper and gold, the preference given to the latter will be an idle preference, of no public inconvenience, because it will not be followed. If the value of the bank paper is really at par, it is not in the power of any individual to alter the fact; and any attempt to do so would be despised as it deserved; but if, on the contrary, the bank paper is greatly inferior in value to gold coin and bullion, it is highly meritorious to expose and resist a system through which the whole community is impoverished and defrauded. . . .⁴⁸

During the interval between the first and second readings, Lord Liverpool seems to have discovered that the government had been committed by its proceedings in the House of Commons, and that

Lord Stanhope's bill was a necessary supplement to Mr. Vansittart's resolutions. It is rarely that a minister gives up consistency to truth or to policy; and Lord Liverpool was not a man from whom such a sacrifice was to be expected. He supported the bill, and it passed, and postponed for eight years longer the success of Lord King's efforts to give to the nation—which is more dependent than any other existing community on the use of money—a money of stable value.* 288

3. The French Government and John Law's Mississippi Scheme.

In the beginning of the year 1716 the specie circulating in France was supposed to amount to about £40,000,000 sterling, or 800,000,000 of livres, the mark of silver which is worth about 40 English shillings being coined into 40 livres. But for some previous years the quantity of pure silver denominated a livre had been constantly varying: in 1715 the mark had been coined into 28 livres; in 1709 it had been coined into 40, in 1689 it had been 28, and between 1689 and 1709 had been subject to constant alteration. Under these circumstances Mr. Law established a bank at Paris, called the General Bank, issuing notes payable on demand in livres of the same weight and fineness as those which were current at its institution—promising in fact to pay not a nominal but an ascertained quantity of silver. The security afforded by this promise enabled the bank in the course of three years to issue notes to the amount of 59,000,000 of livres; and if we suppose that about 19,000,000 of livres were subsequently withdrawn from circulation, the notes of the bank might be supposed to have raised the whole currency of the kingdom to £41,000,000 sterling, or 840,000,000 of livres.

On the 1st January, 1719, the government, that is the regent in the name of the King, took possession of the bank. The first alteration was in the form of the notes, the words of the same weight and fineness were omitted, and the note no longer promised to pay anything more definite than so many livres—being in fact a promise to pay whatever the debtor thought fit, as the debtor had the power, in fact was in the habit, of increasing and diminishing the quantity of silver denominated a livre according to his notions of expediency. The next change was in the amount of its issues. The Bank issued notes of the nominal amount of millions of livres [as follows]:

<i>Date of issue</i>	<i>Millions of livres</i>
April 22, 1719.....	51
June 10, 1719.....	50
July 25, 1719.....	240
September 12, 1719.....	120
October 24, 1719.....	120
December 29, 1719.....	129
January, 1720.....	21
February, 1720.....	279
Total issued in nine months..	1,010 millions of livres

of the nominal value of rather more than £50,000,000 sterling, of which at least 600,000,000 must have been in circulation at one time. What part of the previously existing specie remained in circulation is doubtful. It is clear however that it could not have been all withdrawn, as no run was ever made on the bank for coin. Its notes, though they lost the premium which they had borne while the establishment continued in Mr. Law's hands, still exchanged for coin at par.

I must now turn a little backwards in the story and state that, while the bank was in the hands of Mr. Law and his partners, they had received from the government the exclusive privilege of trading to the West Indies and the French possessions on the continent of America (whence the name of the Mississippi scheme has ever since adhered to the whole of the transactions originating with Law), to all countries to the east of the Cape of Good Hope, and had been incorporated under the name of the "Company of the Indias." The mint, which in France is a source of profit was afterwards made over to them, and they obtained a lease from the Crown first of the duties on tobacco, and afterwards of all those duties which were usually leased under the old régime; and they were at last intrusted with the receipt of all the revenues of the state.

In return for these privileges, besides the annual rents for the duties leased to them, they engaged to lend the government 1,600 millions (80 millions sterling) at three per cent. To enable them to do this the bank was restored to them on the 22nd February, 1720; their proceedings however were to be under the control of government, and the King guaranteed the payment of their notes. Five days after followed the celebrated *arrêt* of the 27th February, 1720, which prohibited any person or corporation from possessing any

bullion or more than 500 livres (£25) in specie; the most extensive powers of search were given to the police, and informers were rewarded with all the excess found. At the same time the notes of the Company were not only made a legal tender, but the only legal tender, and the payment of any sum beyond 99 livres (£4 19s. 0d.) in specie was made punishable by a fine of 3,000 livres. The object of these laws was of course first, to force all holders of specie to carry it to the Bank to be exchanged for notes; secondly, to prevent their demanding payment from the bank in specie, except for small sums; and thirdly, to give a forced value to the notes as the only money that could be safely tendered or safely kept.

On the 5th March, 1720, a considerable sum of specie having probably been paid to the bank in the meantime, an *arrêt* was made directing the mark of silver to be worth 80 livres instead of 40. This of course enabled the bank to pay whatever specie might be demanded by the holders of their notes at half the former expense. This *arrêt* continued in force only a week, for it was followed by that of the 11th March, 1720, which declared that on the 1st April the mark of silver was to be worth only 70 livres, and on the 1st May, 65; and all use of gold and silver as a medium of exchange was prohibited. As the bank received coin in the meantime at 80 livres the mark, this occasioned a considerable influx of coin to their coffers in anticipation of its impending reduction in value. In three weeks they are said to have received 44,000,000 livres worth at the then denomination about £1,100,000 sterling.

The government and the bank seem now to have supposed that the ordinary standards of value, gold and silver, being got rid of, bank paper would be unsusceptible of depreciation or excess, and between the beginning of March and the 2nd May they issued notes of the nominal value of more than sixteen hundred millions of livres—being more than double the whole average amount of the money of the country. In the beginning of May there were in circulation notes of the nominal value of 2,335 millions of livres—being a nominal value nearly three times as great as the 800,000,000 of coin for which they were substituted. Gold and silver coin would of course have disappeared, even if they had not been legally banished. Still however for the purpose of small payments there was a circulation of small silver coin, and of copper, and in these small coins the bank paid those notes of ten livres which were presented to it. It may appear singular that this coinage of small silver remained in the country. As the nominal value of every

commodity had been at least trebled in France we should have expected that the silver would have been collected and exported, and that the failure of the bank would have been occasioned by their subsequent inability to pay silver for their small notes. And such I think must have been the case if the whole transaction had taken up a longer time. But in less than three weeks after the last issue of notes the bank was murdered by the government. If the government had not interposed, it might have lived in apparent credit for three months longer.

The history of the Mississippi scheme is a proof how ignorant the whole of a cultivated nation may be of the necessary results of their actions.

It appears to us obvious that when the currency of a country was suddenly tripled all prices must have experienced at least an equal rise. The French government was so little prepared for this result that when it took place they resorted to the most violent means to correct it. On the 21st May an *arrêt* was issued declaring that the bank notes in circulation should in future pass at only half their nominal value. Now this was not in fact a greater diminution of the value of the notes than the *arrêt* of the 5th March preceding which had directed the mark of silver to be worth 80 livres instead of 40. On the 4th of March the holder of 40 livres in notes could demand of the bank a mark of silver. On the 5th of March he could demand only half a mark. So on the 20th of May the holder of 65 livres in notes could demand a mark of silver. On the 21st he could only demand a half a mark. The first operation diminished the value of the notes directly only as compared with silver. The second diminished their value directly not only in silver but in everything else. The first was injurious to creditors; the second to debtors. In the first case the holder of the notes, so far as he was a debtor could throw his loss, or much more than his loss, upon his creditors; in the second case, so far as he was a creditor he could reimburse himself, or much more than reimburse himself, from his debtors. But in both cases as between him and the bank he was equally defrauded. And as the *arrêt* of the 5th March had not interfered with the circulation of the notes, the government probably expected that of the 21st May to create as little alarm. But they were mistaken.

Though the French public were too ignorant to perceive the consequence of raising the nominal value of silver, they understood those of sinking the nominal value of notes. Up to the 21st May the

holders of commodities possessing intrinsic value seem to have given them in exchange for the notes, in blind confidence that others would do the same. Others did not in fact do the same, for as prices kept rising the man who in December had sold a given quantity of corn for 1,000 francs in notes would not have been able in February to purchase an equal quantity of corn or of any other commodity with the same notes. Strange however as it may appear, the deterioration of the notes in value does not appear to have affected their circulation. All that people looked to was nominal value, and while the notes were called livres, nobody inquired what a livre meant. But the instant the denomination was altered, the instant government declared that a note for 10 livres should be worth only 5, the baselessness of the paper fabric was detected. The terror was as blind and as universal as the confidence had been. To use Sir John Stewart's words, on the 22nd day of May a man with 100 millions of bank notes might have starved in the streets.

The regent and his ministers as much alarmed as the people at the tremendous machinery they had set in motion, tried the most arbitrary and the most inconsistent expedient to control it. They revoked the *arrêt* of the 21st May and at the same time raised the denomination of the coin by declaring that the mark of silver should be worth 82 ½ livres. To stop the run on the bank they ordered its payments to be suspended. And when 9,000 livres in paper could purchase only 82 ½ in silver an *arrêt* was issued prohibiting any person from refusing to take the notes at par, under a penalty of double the value of the notes refused. Under a similar forfeiture all persons were commanded to bring back whatever funds they had exported, and forbidden to make any investment in foreign securities. All persons were forbidden to meet together and soldiers were employed to prevent and disperse all assemblies of merchants and brokers. As when it was found that confidence could not be restored by forbidding people to communicate their fears, and that the credit of the notes was irretrievable, the transaction was wound up by the *arrêt* of the 10th October, 1720, which after providing not for the payment, but for the investment at a very low interest, of the outstanding notes, declared that after the 1st December following they should have no value.* 289

4. The Assignâts of the French Revolution. The next great financial bubble of France was the issue of assignâts. A few years before 1799 the specie current in France had been estimated at 220 millions of livres, or about £88,000,000 sterling. The revolutionary

government possessed great wealth in the confiscated property of the *Emigrés* and the clergy, but wanted money. To supply this want and to create a market for the confiscations, they issued notes in the following form, "National property Assignât of 100 francs." These notes were a legal tender, and in that respect resembled every other paper currency, having a forced circulation, but they differed from all others in not even professing to represent anything specific. The words "National property" signified that their value might be obtained by purchasing with them confiscated property at the auctions of such property which were constantly occurring. But there was no reason why that value should have been called 100 francs. It depended on the comparative values of the property so purchased and the number of assignâts issued. They were first issued in May, 1790, and the amount was fixed by law at 400,000,000 francs or £16,000,000 sterling. In September, 1790, 1,200,000,000 francs had been issued; in 1793, 3,626,000,000; in 1794, 8,817,000,000; in 1795, 19,699,000,000; and on the 7th September, 1796, the issue had amounted to above forty-five thousand millions of livres, or more than £1,800,000,000 sterling.⁴⁴ We have seen the consequences of the issue of paper, of the nominal value of 2,200,000,000 of livres; we may conceive the consequences of issuing 45,000,000,000. The value of assignâts fell from day to day. The price of commodities rose in proportion not merely to the existing depreciation but to the well-founded apprehension of a still further depreciation.

When the supply of a durable commodity is suddenly increased, the value falls but not necessarily in proportion to the additional supply. Unless the causes of the additional supply are ascertained to be permanent, most of the dealers prefer holding their existing stock, in the hope that the market may alter, to parting with it at a certain loss. But when a commodity is perishable no loss can be so complete, or so certain as to retain it. A small increase of supply may create such a competition among the sellers as to reduce the price to nothing. A fish market might be so oversupplied as to induce the sellers to give away a portion of their stock, or even to pay persons to remove it from their stalls. Assignâts were a most perishable article. Everybody taxed his ingenuity to find employment for a currency of which the value evaporated from hour to hour. It was passed on as it was received, as if it burned everyone's hands who touched it. Those who had never engaged in business became speculators. Others purchased estates,

built houses, bought pictures and furniture; what was yesterday an extravagance, became a bargain to-day. No one scrupled at any expense, even for mere transitory pleasures, if it afforded a means of investing, or spending, or in any way getting rid of what he possessed in assignâts.⁴⁵

Those who depended on fixed money payments were reduced to beggary, and beggary at periods of general distress is starvation. Every morning there were found in the waters and on the shores of the Seine the bodies of wretches who had preferred death by suicide to death by starvation.⁴⁶ The state of the laboring classes was scarcely more tolerable. An increase in the rate of wages is never contemporary even under the most favorable circumstances with a forced depreciation of money. The laborers generally speaking have but weak means of combining to demand higher wages, or of persisting in their combination if the advance be refused; while capitalists are almost always combined to resist the advance, and have funds to stand out in their resistance. And in the general disorganization of both the internal and the external commerce of France which marked the periods which I am describing the funds for the maintenance of labor, and the average rate of wages must have fallen off, even if the currency had remained metallic, and at its former standard.

The sovereign people felt and acted with the usual folly and violence of a despot. The depreciation of the assignâts was attributed to the conspiracies of the autocrats and the intrigues of Mr. Pitt. The rise of prices was explained by the favorite theory of a monopoly. And it was thought that all this could be remedied by terror; by substituting fine, imprisonment, confiscation, and death, for the ordinary motives to commercial transactions. "If provisions and commodities are wanting," said the Procureur General Chaunette, "on whom will the people, the legislator people, lay the blame? On the authorities? No. On the Convention? No. It shall be on the merchants and the dealers. Rousseau was one of the mass of the people, and he well said 'Where the mass of the people have nothing else to eat, they must feed on the rich.'"⁴⁷ To prevent the constantly increasing difference between the value of paper and metallic money, the purchasing assignâts with money at less than their nominal value, or the sale of money for more than its nominal value in assignâts, or the making any difference in price according as that price were to be paid in money or in assignâts was made a crime punishable by six years' imprisonment in irons.⁴⁸

To prevent the hoarding of the precious metals all concealed gold and silver, in whatever form, became forfeited, half to the state, and the other half to the informer.

These measures had the success that might have been expected. The law against taking assignâts at less than par was passed in April, 1793. In the following June 100 francs in silver were worth 300 in paper. In August they were worth 600.⁴⁹ The failure of the law seems to have been attributed to its mildness. The punishment was raised to 20 years' imprisonment in irons.⁵⁰ And in 1796 an assignât of 100 francs professing to be worth £4 sterling was currently exchanged for 5 sous 6 deniers, or rather less than three halfpence in money.⁵¹ These efforts to prevent the depreciation of assignâts in money were accompanied by efforts as violent, as senseless, and still more mischievous, to prevent their depreciation in commodities.

The first of these attempts was the celebrated Maximum. By that law which was passed in May, 1793,⁵² when the issue of assignâts was not one-tenth of the amount to which it afterwards rose,⁵³ corn was directed to be sold exclusively in open market at a price to be fixed by each commune (or, as we should say, by the vestry of each parish), according to the average price of the four months of January, February, March, and April preceding the enactment.

As that price was even then grossly inadequate, and became more so every day, the markets were of course unsupplied. This was attributed to what the French call *accaparement*, and we, when with equal wisdom, we made it a crime, called engrossing.⁵⁴ The decree⁵⁵ which made *accaparement* a crime defined an *accapareteur* to be "one who withdraws from circulation commodities of the first necessity, and does not publicly sell them"; and it defined commodities of the first necessity to be: bread, wine, butcher's meat, corn, flour, leguminous vegetables, fruit, charcoal, wood, butter, tallow, hemp, flax, salt, leather, salted provisions, cloth, wool, and all clothing, except silk. Every dealer was bound to make periodical declarations of his stock, which the communes were to verify by search; and each commune was to appoint persons who were to fix prices to each article, so as to leave a moderate profit to the dealer, but not to exceed the means of the people. If however, added the decree, the cost of production be such as to leave no profit to the dealer, the commodity must still be sold, at such a price as the purchaser can afford. And any violation of the decree,

any refusal to sell, any concealment of stock, or even the being accessory to any such violation was punished by death.

Of course the majority of the shops were shut, and in those which continued open only the worst articles were exposed to public sale; and all that was tolerable was reserved to be sold in secret bargains to those who still retained the means, and were willing to incur the risk of becoming purchasers at the metallic value.

The Convention appear to have thought that the inefficiency of the law arose from the maximum having been imposed on the finished commodity in the dealers' hands, leaving the charges of production and transport unregulated. Commissioners were directed to be appointed in every parish to state the prime cost of every of the enumerated articles at the place of production, according to the prices of 1790—that is, according to metallic prices which were not 1/10th of those which existed at the time of the decree. To this one-third was to be added (that is, not one-thirtieth of what ought to have been added) to compensate for the subsequent rise. A sum was then to be fixed for the expense of carriage to the market; five per cent on these sums was to be added for the profit of the wholesale merchant, and ten per cent for that of the retailer. The aggregate of these sums was to be the price of the commodity. To diminish in some measure the competition of purchasers, the consumer was forbidden to purchase from any one but the retailer, and the retailer from any one but the wholesale dealer. Even the quantity which each might purchase was defined. The grocer was forbidden to take more than 25 lbs. of sugar at once from the sugar merchant, and the seller of lemonade more than ten. The authorities gave to each intended purchaser a certificate specifying the amount that he might purchase.

As the French subsist chiefly on bread, the bakers' shops were the principal subjects of legislation. They were not to be entered without a certificate which at the same time was a test of the good political principles of the bearer, and specified the quantity that he might purchase. A long rope was extended from the counter into the street which the file of candidates for purchase were to lay hold of, in order to insure their entering the shop in fair succession.⁵⁶ But it was found that persons spent whole nights in the streets in vain attempts to make their entrance. Sometimes the rope was cut through wantonness or malice, and the feeble were suffocated or trampled to death in the consequent struggles. And the disorder became the more frightful when as a remedy it was decreed that the

last comers should be served first. To prevent the closing the shops every person who, having been a year in trade discontinued or diminished his business, was declared to be a suspected person: and this when suspicion was imprisonment, and imprisonment the guillotine.⁵⁷

At length even the Revolutionary government seems to have felt the impossibility of using fear instead of hope, as the motive of production and exchange. The assignâts having sunk below 1/500th part of their nominal value were called in,⁵⁸ government offering to take them at one per cent in payment of a forced loan which, in violation of all resemblance to honesty, was imposed in money, and to give *mandâts*—a new species of paper money—in exchange for them at the rate of 3 per cent. The ultimate result was that of the whole 45 millions [billions], not quite 13 millions [billions] were, in some way or other, discharged; the remaining 32 millions [billions] (being of the nominal value of about £1,313,000,000 sterling, about twice the amount of our national debt), remained waste paper in the holders' hands.

The *mandâts* were of the nominal value of 2,400,000,000 of francs, or about £96,000,000 sterling. They were directions to the authorities to put the bearers into possession without auction of a definite portion of the confiscated estates. Such however were the comparative values in money of the property and the *mandâts*, that they came out at a discount of 36 per cent, and gradually sunk to less than a 70th of their nominal value. They were issued on the 9th June, 1796, and were extinguished⁵⁹ partly in the purchase of confiscated property, and partly in the payment of taxes, before the end of the following September.*²⁹⁰

5. Experience in Other Countries. The length of the details into which I have been led as to the paper currency of France forces me to pass quickly over the history of the other paper currencies of the Continent.⁶⁰ Catherine the Second gave Russia a paper currency, and by the moderation of her issues for some time kept it at par but in 1814, the period at which Storch closes his narrative, four roubles in paper were worth only one in silver.

The Bank of Copenhagen was founded in 1736. Nine years after the government freed itself from the obligation of paying its notes in full. In 1773, the King, thinking probably the privilege of issuing an inconvertible paper money too valuable for a private corporation, took the bank into his own hands. In October, 1813, a dollar in silver was worth 1,600 dollars in paper.

The Austrian paper money owes its origin to Maria Theresa. In 1810 a florin in silver was worth 12 florins in paper. In 1811 the government called in the existing paper money, and directed it to be exchanged, at one-fifth of its nominal value for a new paper money. And in 1812 eight florins in the new paper were worth only one in silver.* ²⁹¹

NOTES ON PART VII

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¹ [Part VI, Chap. I, sec. 3.]

² [Cf. Part VI, Chap. I, sec. 2.]

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³ [A good illustration of the instability of the gold standard of value—the best standard so far contrived—is afforded by the following table, based upon the reports of the United States Bureau of Labor Statistics, which shows the changes in the general level of wholesale prices from 1890 to 1927, and the corresponding variations in the dollar's purchasing power.]

<i>Year</i>	<i>Index Numbers of Wholesale Prices (All Commodities) 1913 Average = 100</i>	<i>Purchasing Power of the Dollar (in Terms of Wholesale Prices) 1913 Average = 100</i>	<i>Year</i>	<i>Index Numbers of Wholesale Prices (All Commodities) 1913 Average = 100</i>	<i>Purchasing Power of the Dollar (in Terms of Wholesale Prices) 1913 Average = 100</i>
1890	81	124	1909	97	103
91	80	125	10	101	99
92	75	133	11	93	108
93	77	130	12	99	101
94	69	145	13	100	100
1895	70	143	1914	98	102
96	67	149	15	101	99
97	67	149	16	127	79
98	70	143	17	177	57
99	75	133	18	194	52
1900	81	124	1919	206	49
01	79	127	20	226	44
02	84	119	21	147	68
03	86	116	22	149	67
04	86	116	23	154	65
1905	86	116	1924	150	67
06	89	112	25	159	63
07	94	106	26	151	66
08	90	111	27	147	68

In order to do away with the enormous economic and social evils resulting from this instability in our standard of value, Professor Irving Fisher of Yale University has led the movement for substituting the "goods dollar" instead of the present standard which consists of a certain fixed quantity of gold. According to the proposed plan, the gold dollar of the United States would be a variable quantity of standard gold bullion of approximately constant computed purchasing power. The weight of that gold bullion would be changed from time to time by the Government in accordance with computed variations in the general level of commodity prices. This procedure would have to be supplemented by appropriate rules and regulations in regard to discount rates, reserve ratios, and open market purchases or sales of government securities through the Federal Reserve System, so as to check undue expansion of business operations. If this scheme were adopted it is claimed that the alternating

periods of "booms" and "slumps," generally known as the business cycle, would be gradually eliminated. It is admitted, however, that such a plan would be of little use in times of political or social upheavals such as prevailed during and immediately after the late war. The proposed experiment involves a highly technical procedure with which 99.9% of the public are totally unfamiliar. It would therefore encounter great hostility the moment it interfered in the slightest degree with the vested interests. Under the circumstances, it is doubtful whether the variable weight dollar, *i. e.*, the theoretically constant purchasing-power-dollar, will be adopted in the United States in the immediate future.]

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⁴ HΘIK NIKOM E' e'.

⁵ Book I, Chap. V.

⁶ ["Senior's discussion of the origin and nature of money and its relation to credit is unusually clear and has scarcely been improved upon by any more recent writer. The same is true of his explanation of the principles of foreign exchange (next chapter). Our present day international bankers and statesmen would profit by digesting this chapter."]—Willford I. King.]

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⁷ Page 55.

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⁸ *Elements of Political Economy*, Chap. III, sec. 14.

Page 58.

⁹ *Supplement, Encyclopædia Brit.*, "Exchange."

Page 60.

¹⁰ ["At the time Senior wrote the coinage of France was regulated by the law 7-17 Germinal an XI (Mch. 28, 1803). The coinage ratio was 15½ to 1. Since about 1820 the bullion ratio had been continuously higher, at times reaching nearly 16 to 1. On this account silver alone remained in circulation."]—William A. Scott.]

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¹¹ [Japan remained a "hermit" nation until as late as 1854. But in that year Commodore Perry of the United States prevailed upon the Japanese Government to change its policy of aloofness towards the western nations.]

Page 66.

¹² [For exceptions to this rule see next section.]

Page 67.

¹³ ["Senior's explanation of the effects of international shipments of the precious metals would not be accepted by most present-day economists without considerable modification. The rates of discount of the banks of the countries between which the shipments take place play a leading rôle not mentioned by Senior and the price changes involved are those of the commodities which constitute imports and exports rather than of *all* commodities."]—William A. Scott.]

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¹⁴ [See the author's remarks on the diversity of human wants, Part II, Chap. III, sec. 1; and Part VI, Chap. I, sec. 4.]

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¹⁵ [Cf. previous section.]

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¹⁶ Tooke's *Currency*, p. 39.

¹⁷ Mushett, *Currency*, p. 172.

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¹⁸ [Cf. Part VIII, Chap. II, sec. 3.]

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¹⁹ Mill's *Elements*, 3d Edit., sec. 7.

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²⁰ [Cf. Part VI, Chap. III, sec. 3, subdivision (e).]

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²¹ [Cf. Part II, Chap. I, sec. 1.]

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²² [*I. e.*, assuming for the purpose of the present analysis that the intrinsic causes which give value to all other objects—services as well as material articles of wealth—remain constant. Cf. Part IX, Chap. II, sec. 1.]

²³ ["The substitution of any of the most widely approved present-day explanations of value and price for Senior's would not materially, if at all, affect the results of his reasonings on the chief topics of this chapter."—William A. Scott.]

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²⁴ [*I. e.*, the marginal cost.]

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²⁵ [In an earlier lecture Senior asked the same question in regard to the causes which determine what shall be the poorest mine that can be profitably worked, and answered it in the following words:

"The immediate causes are clear. The question whether a given mine shall be worked or abandoned must always be solved by comparing the amount of silver which it produces with the amount of silver which must be expended in working it. If it do not produce more silver than will pay the wages of those who are directly and indirectly employed in working it, it cannot be worked profitably. If it produce less, it cannot be worked at all; if the difference be just equal to the current rate of profit in the country, it will just afford to be worked. If the difference amount to more it will afford a rent. But this removes the difficulty only a little further, and the reasoning seems to move in a circle. What regulates the wages of labor? The cost of producing silver. On what does the cost of producing silver depend? On the amount of wages paid to the laborer. Which of these is the cause, which the effect?

"The precious metals are subject to two circumstances by which this puzzle is occasioned. In the first place the outlay and the return are the same in

kind. In this respect the working of a mine resembles the cultivation of a farm in a society to whom money is unknown. In such a state of society the farmer's expenses would be the same in kind as his returns. He would employ a portion of the annual produce in clothing and maintaining his laborers, feeding his cattle, and sowing his fields, and consider the remainder as his profit; just as the worker of a mine employs a portion of the silver in making his payments, and keeps the remainder as his profit. But the second peculiarity belongs to the precious metals as money. Nature has fixed a limit below which the farmer's expenditure cannot be reduced. Not less than a certain amount of subsistence is necessary to the existence of his laborers and cattle. If his farm does not produce that amount together with fair profit to himself, it is a losing concern. If it does not produce even that amount, without further profit, it must be abandoned. The utility of bread, though somewhat connected with its cost of production, does not depend on it. Because a loaf of bread cost ten times as much labor as it does now, it would not feed ten times as many people. If we could obtain one at one-tenth of its present cost we should not eat ten times as many. But the utility of money depends entirely on its cost of production. If that were to fall to 1/20th, just 20 times as much money as before would be required for every purchase. If it were 20 times as difficult to procure a given quantity of it, that quantity would perform all the functions of money, just as well as twenty times that quantity did before. In the first case sovereigns would be used as shillings, in the second case shillings as sovereigns. It should seem therefore that it is the cost of producing money which determines the demand for it, rather than the demand for it which decides to what extent the production shall be carried.

"But if it be not the demand for the precious metals as money which decides what shall be the least productive mine that can be profitably worked, what is the cause which so decides? Ultimately and principally the demand for them as commodities; as the materials of plate, gilding and jewelry, and through the intervention, and as a consequence of that demand, the demand for them as money." Lo⁶, 98-104.]

²⁶ Humboldt, l. 6, c. 14.

²⁷ *Ibid.*, l. 4, c. 1.

²⁸ *Ibid.*, l. 4, c. 11.

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²⁹ *Ibid.*, l. 4, c. 11.

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³⁰ [From the 17th century until the last quarter of the 19th century the average commercial ratio of silver to gold remained fairly steady. Since about 1875 it has fluctuated considerably, but with a decidedly downward trend in the value of silver in terms of gold. The following table, based upon the compilations of the Director of the United States Mint, gives the production of gold and silver in the world, and the average market value of the latter as compared with that of the former, from 1875 to 1926.]

Year	World Production: Fine Ounces (in Thousands)		Average Commercial Ratio of Silver to Gold
	Gold	Silver	
1875	4,717	62,262	16.64
76	5,016	67,753	17.75
77	5,512	62,680	17.20
78	5,761	73,385	17.92
79	5,262	74,383	18.39
1880	5,149	74,795	18.05
81	4,984	79,021	18.25
82	4,934	86,472	18.20
83	4,615	89,175	18.64
84	4,921	81,568	18.61
85	5,246	91,610	19.41
86	5,136	93,297	20.78
87	5,117	96,124	21.10
88	5,331	108,828	22.00
89	5,974	120,213	22.10
1890	5,749	126,095	19.75
91	6,320	137,170	20.92
92	7,094	153,152	23.72
93	7,619	165,473	26.49
94	8,764	164,610	32.56
95	9,615	167,501	31.60
96	9,784	157,061	30.59
97	11,420	160,421	34.20
98	13,878	169,055	35.03
99	14,838	168,337	34.36
1900	12,315	173,591	33.33
01	12,626	173,011	34.68
02	14,355	162,763	39.15
03	15,853	167,689	38.10
04	16,804	164,195	35.70
05	18,396	172,318	33.87
06	19,471	165,054	30.54
07	19,977	184,207	31.24
08	21,422	203,131	38.64
09	21,965	212,149	39.74
1910	22,022	221,716	38.22
11	22,397	226,193	38.33
12	22,605	230,904	33.62
13	22,255	210,013	34.19
14	21,302	172,264	37.37
15	22,738	173,001	39.84
16	22,031	180,802	30.11
17	20,346	186,125	23.09
18	18,614	203,159	19.84
19	17,698	179,850	16.53
1920	16,130	173,296	15.31
21	15,975	171,286	25.60
22	15,452	209,815	27.41
23	17,791	246,010	29.52
24	19,031	239,485	27.76
25	19,026	245,214	29.38
1926	19,280	253,587	32.88

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³¹ See, for the statistics of French commerce, the yearly official publication entitled, *Tableau général du Commerce de la France*.

³² Jacob on the *Precious Metals*, Vol. II, p. 299.

³³ *Dictionary of Commerce*, Art., "Precious Metals."

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³⁴ ["It is doubtful whether any one has yet given a more lucid discussion of the forces controlling the division of the supply of money metals between different parts of the world. He deals in a very enlightening way with many

of the points which are still causing controversy between the quantity theorists and their opponents and few stronger arguments against some phases of the quantity theory have yet been advanced."—Willford I. King.]

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³⁵ Parliamentary Return, 17th March, 1843, No. 56.

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³⁶ Chevelier. *L'Amerique du Nord*. Vol. I, Note 20. M. Leon Faucher estimates the specie of France at 3,500,000,000 of francs, or about £140,000,000 sterling. See his able pamphlet, entitled *Recherches sur l'Or et sur l'Argent*, p. 59.

³⁷ [See Part IX, Chap. II, sec. 1; Part VIII, Chap. I, sec. 2.]

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³⁸ [Cf. Part IX, Chap. IV, sec. 3.]

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³⁹ Appendix [to Report of Bullion Committee], page 97.

⁴⁰ *Ibid.*, page 97.

⁴¹ *Ibid.*, page 98.

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⁴² They are to be found in the *Edinburgh Annual Register* for 1811, Part II, page 291.

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⁴³ Earl Fortescue, *The Speeches and Writings of Lord King*, London, 1844, page 231.

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⁴⁴ Storch, Vol. 4, page 162.

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⁴⁵ Say, *Traité*, etc., Vol. 1, page 302.

⁴⁶ Storch, Vol. 4, page 163.

⁴⁷ Thiers, Vol. 5, page 349.

⁴⁸ *Ibid.*, page 117.

Page 131.

⁴⁹ Thiers, Vol. 5, page 162.

⁵⁰ *Ibid.*, page 149.

⁵¹ Storch, Vol. 4, page 162.

⁵² Thiers, Vol. 5, page 162.

⁵³ Storch, Vol. 4, page 162.

⁵⁴ [See Part VI, Chap. II, sec. 4, last two paragraphs and note 27.]

⁵⁵ Thiers, Vol. 5, page 163.

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⁵⁶ Thiers, Vol. 5, page 120.

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⁵⁷ Thiers, Vol. 5, page 320.

⁵⁸ Storch, Vol. 4, page 164.

⁵⁹ *Ibid.*, page 164.

⁶⁰ [Since this was written there have been numerous cases of currency inflation, with more or less disastrous consequences,—such as the issue of Ameri-

can greenbacks (1862-1879) to meet the exigencies of the Civil War, and the emission of notes by the Bank of France during the Franco-German War. But the colossal example of paper-money inflation is afforded by the financial history of Europe since the World War.

The following table, based upon the reports of the United States Director of the Mint, shows the amount of paper money circulated in specified European countries as of the beginning of the calendar years 1922, 1923, and 1924.

<i>Countries</i>	<i>Monetary Unit</i>	<i>1922</i>	<i>1923</i>	<i>1924</i>
Russia	Ruble	17,543,000,000,000	2,138,711,400,000,000	168,500,200,500,000,000
Germany	Mark	129,127,758,000	1,533,709,212,000	496,507,425,000,000,000,000
Poland	Mark	229,537,560,000	793,437,489,000	125,371,955,000,000
Austria	Krone	174,114,747,000	4,080,177,238,000	7,125,755,190,000
Hungary	Krone	25,174,941,000	75,886,987,000	931,337,335,000
France	Franc	36,467,456,000	36,359,286,000	37,905,434,000
Italy	Lira	21,704,551,000	20,279,000,000	19,675,000,000
Roumania	Leu	13,709,378,000	15,162,053,000	17,728,586,000

The depreciated currencies have, of course, upset prices in all these countries. It was reported, for instance, from Berlin in the fall of 1923 that the price of a four-pound loaf of bread was suddenly raised from 34,000,000 to 480,000,000 marks. In order to stabilize to some extent the rising tide of high prices, which have occasioned numerous social disturbances, attempts have been made in Russia and in Poland to establish a theoretic standard of value roughly calculated by the use of index numbers or relative percentages of increase or decrease in commodity prices. But it is scarcely necessary to remark that under existing chaotic conditions those monetary experiments have thus far met with little success.]

PART VIII
DOMESTIC AND FOREIGN COMMERCE

CHAPTER I

THE INTERACTION OF INDUSTRY AND TRADE

1. Market Extension with the Growth of Population. 2. Industrial Efficiency and the Cost of Importing Raw Materials. 3. Effect on Prices of Increasing Foreign Demand.

1. Market Extension with the Growth of Population. [In a former chapter¹ I showed] that the point at which the land of a given district may be said to be saturated with capital, that is to say, the point at which additional capital ceases to produce a proportional additional return, may be constantly thrown back in a prosperous country by the increase of agricultural skill. It is evident, however, that if we suppose the area from which a given community draws its supplies of raw produce to be incapable of extension, and that community to augment in number at the rate at which human beings naturally increase when their increase is not checked by want or by prudence, that is, to double every twenty-five years, this point would soon be reached and passed. The obvious remedy is the extension of the area of supply.

The earlier inhabitants of London probably raised their garden produce from the sunny slopes of Ludgate Street and Snow Hill, grew corn in Finsbury and Islington, built their houses and warmed themselves from the forests of Whitechapel and Marylebone, and fed their cattle in the higher grounds of Kensington and Hampstead. As population advanced the land round the growing metropolis was applied to the purposes with respect to which proximity is most important. Every one hundred yards of distance from the common center is a source of inconvenience and expense, and, except in highly civilized times, of danger. Till within the last fifty years the outskirts of London were not safe. There are probably few great cities in Europe in which they are perfectly safe now. The zone of garden ground, therefore, which bounds a growing city is constantly receding and making way for building ground. If a happy accident has given part of it to the state or to the government, it is sometimes rescued from the builder and reserved for parks or public walks—but at all events it ceases to be productive.

The demand for milk and green vegetables and the other produce of the dairy and the garden which will not bear carriage is augmented by the new population while the land previously devoted to them is taken away. Its place is supplied by the land previously employed in producing things that can bear transport without injury. Among these are timber and fuel, and they are therefore among the first things imported from a distance. There is probably now little timber in any London house that was not cut more than one thousand miles off, and little fuel is burnt that has not traveled five hundred miles.

The earthy materials of building are too heavy to be transported far in any great amount. A few public edifices may be erected with stone procured from distant quarries. Rochester Castle was built with stone from Caen, Somerset House from the Isle of Portland, and the [new] Houses of Parliament [were constructed] from the quarries of Northamptonshire. And the materials of comparatively small portions of every part of a city may be thus supplied. London, for instance, is roofed with slates from Devonshire and paved with granite from Scotland. But if a city is to consist mainly of brick or stone it must obtain them in its neighborhood. There is no good building stone near London. As soon therefore as our ancestors ceased to inhabit wooden houses they were forced to have recourse to brick. Luckily brick earth is abundant, and its removal rather improves the land for building purposes. A growing town therefore is generally surrounded by brickfields, destined themselves soon to become streets and squares. Sometimes their place is supplied by abundant quarries of stone, as is the case in Paris, in Bath, and, to a certain extent in Oxford.

The cerealia are little perishable and are easy of carriage, especially by water; and as large towns are generally placed on the shore of the sea or on navigable rivers, they usually receive their grain by water, and often from great distances. London when it became a metropolis was at first supplied from Essex and Kent. It now depends to a great extent on New Orleans, Danzig, and Trieste. Until about [1830] we had no ice, except what the ponds within a circuit of about ten miles could afford; now we import it from America.² The materials of clothing come to us from still greater distances—cotton from New Orleans and Bombay, silk from the Mediterranean and China, wool from Australia, and hides from La Plata. Milk, fruit, fresh eggs, green vegetables,

flowers, and fresh meat constitute almost all the raw produce which a city must draw from its immediate neighborhood.

Of course the exclusive privilege of supplying these commodities possessed by the neighboring land gives it a high value ³ when compared with that which is more distant—though much lower than that which is building ground even in the suburbs, and lower still than that which is situated in the most convenient parts of the city. Mr. Banfield has given an interesting account of the comparative values of land in the neighborhood of Brussels.

I found (says Mr. Banfield) that the average of rents for arable land, without including interest and profits on improvements, was, in the level country between Brussels, Louvain and Antwerp, 100 francs per hectare ⁴ yearly. It requires considerable outlay in digging channels for irrigation to convert arable land into meadows, of which however the produce is proportionably more valuable. Land whose situation is favorable for meadows is therefore let at a higher rent. On approaching the towns you come to dairy farms, which sell their milk to the inhabitants. Near Brussels I visited one, the farmer on which I heard was making money, although paying 200 francs per hectare ⁵ yearly, or double the rent at which corn would remunerate the grower at the same distance. With the farms of this description I found that the common vegetable growers could compete. Gardens of this description surrounded the farm and lined the road that led to the city gate. Land let at 100 francs per annum per hectare may be estimated as worth rather more purchase money than 2,000 francs per hectare; at a rent of 200 francs, its value as capital is perhaps 4,500 francs per hectare.⁶ Near the commencement of the suburbs I found a flower and pineapple gardener, whose small territory was half covered with glass. He told me that he had purchased the spot at the rate of half a franc per square foot, and had made a great deal of money upon it. This was a purchase money of 45,000 francs per hectare.⁷ He added, however, that he did not expect to remain there long in consequence of the additions daily made in the suburbs, and had a prospect of shortly selling his premises at 2 francs per foot, or 180,000 francs per hectare,⁸ which was the price of building land in that suburb. He intended then to remove to a distance, where he could again find land to purchase at about half a franc per foot. I afterwards ascertained that building land had been sold for speculation recently, within the city, at 3 francs per foot, or 270,000 francs per hectare.⁹ Some I believe has been sold as high as 5 francs per square foot.¹⁰

What can be done by a great city can be done by a great country, though not to the same extent. The land in the immediate vicinity of a great city is so small when compared with its wants that the

whole of it is devoted to the production of the very few commodities which will not bear transport. The land of a great country is too extensive for such purposes, and a portion therefore is employed in the production of what might be imported. A country however, like a city, if governed with tolerable wisdom does not attempt to produce at home what it could purchase more cheaply abroad. In England for instance we import all our sugar and tobacco, though we could produce them at home, if like the French and the Germans we chose to do so at a greater expense than that of purchasing them. We might drink if we chose British teas instead of Chinese and burnt beans for coffee. We might clothe ourselves with British wool and build our houses of British elm. But to do so would be just as wise as it would have been in the inhabitants of Londinium if they had excluded the produce of the Atrebatii and the Cantii, and resolved to consume nothing that was not supplied by their immediate neighbors, the Trinobantes.* ²⁹²

2. Industrial Efficiency and the Cost of Importing Raw Materials.

[It was shown in a former chapter ¹¹ that the price of agricultural produce obtained from foreign countries is, under normal conditions, governed by the cost of that part of the supply which is imported with the least advantages.] The circumstances, however, which affect the cost of raw produce to the importer are different from those which affect it as respects the grower. We have seen ¹² that the increase of agricultural skill, the increase of capital, and the improvement in the division and combination of labor generally enable an augmentation of agricultural produce at a less proportional expense. But that, except on these conditions, that additional produce is generally obtained at a greater proportional expense. The cost however at which a nation can import raw produce does not depend altogether, though it does to some extent, on the cost at which the exporting nation raised it. It depends much more on the cost at which the importing nation obtains the commodity which it gives in exchange ¹³ for its importations. This holds good in all exchanges. A man whose labor is of great value can obtain at a slight sacrifice of his own more efficient labor the produce of a much larger amount of the less efficient labor of others. A barrister's clerk often works as hard as his master, but as his labor is of less value the barrister can purchase the services of his clerk for a week at the price of only an hour of his own time. What the circumstances are which decide the difference in value of the labor of different countries is a complicated question, which I shall have

to discuss hereafter. But I may now assume the fact that such difference exists, and that it is indicated by the money wages of each country.

The average wages of the lowest paid laborers in England are about an ounce and a half of silver a week. In Bengal they are about an ounce and a half for eight weeks. The silver therefore earned by one Englishman in a year would purchase the rice earned in a year by eight Bengalees. The average labor which it costs to produce corn in the worst land under cultivation in Poland is much greater than it would cost to produce it from the worst land under the plow in England. But as the value of English labor is four times as great as that of Polish we can purchase with the produce of the labor of one Englishman the corn raised by three Poles.

I say by three Poles instead of by four, because, as [has been shown ¹⁴ already], the price of commodities does not depend solely on the value of the labor which they cost; a portion of it, under the name of profit repays the capitalist for the abstinence incident to the formation and the use of capital. And as abstinence ¹⁵ increases with civilization, it is generally abundant, and consequently repaid by low profits, in a highly civilized country; and rare, and consequently repaid by high profits,¹⁶ in a semibarbarous country. In the exchange therefore of the produce of English labor and abstinence for that of Polish labor and abstinence, the English purchaser cannot get the whole advantage of the greater value of English labor. If the yearly wages of an English spinner are £40, the yarn spun by two English spinners in a year will cost £80 in wages. If the yearly wages of a Polish laborer are £12, the corn raised by six Poles in a year will cost £72 in wages. But if the profits of the English capitalist on an advance of £80 are only £20, and those of the Polish capitalist on an advance of £72 are £28, the yarn spun by two English spinners and the corn raised by six Poles will have cost about equal sums.

If now some miracle should suddenly double the value of English labor—if, for instance, the number of our laborers were suddenly reduced by one-half, and the efficiency of the remainder doubled—one English spinner would produce the yarn which two did before; and the corn raised by six Poles might be purchased by the yarn spun by one Englishman, instead of by two.

Now something like this, something the same in kind, though not in degree, has actually occurred in England during the last 160 years.¹⁷ The internal tranquillity which we have enjoyed during

that period, our immunity from foreign invasion, the strong stimulus given to accumulation by the absence of a noble caste and the consequent political power of wealth,¹⁸ and a system of taxation which with all its positive faults is far less oppressive than that of any other great European country, have enabled us to create the largest amount of capital that the world has ever seen accumulated by so great a population. That population is eminently laborious and, within the limits of each man's own trade, intelligent. The result has been that our working classes, who at the time of the revolution of 1688, which may be called the commencement of modern English history, were inferior to those of many Continental nations are now unrivaled in Europe.

In the Poor Law Inquiry of 1834 information was collected from 1,520 English parishes as to the wages of agricultural laborers. The average of the whole was 10s. a week, but in 1,320 out of them, 10s. 5d. The average income of a laborer's family supposed to consist of a man, wife, and four children was estimated at £41 17s. 8d. Information was also obtained from the British diplomatic agents as to the rate of wages both of agricultural laborers and of artisans in a great portion of Europe and America. They are arranged in a tabular form in my *Preface to the Foreign Communications in the Poor Law Report* (1834). The highest wages of artisans are those of Frankfort, which are from £14 to £28 a year; Amsterdam, from 1s. 6d. to 2s. 8d. per day—stockmakers and tailors from 8s. 4d. to 20s. a week; Ostend, skilled laborers from 1s. 2d. to 1s. 5d. a day; Nantes, £26 a year; Bayonne, from 1s. 3d. to 3s. a day; Piedmont, from 1s. 8d. to 4s. 2d. a day—the first being those of a carpenter, the second those of a clever goldsmith; Genoa, in fine manufactures from £25 to £28 a year—in ordinary manufactures from £16 to £20. These are about the average wages of the English agricultural laborers—rather higher than those of the south, which averages about 9s. a week; rather lower than those of the north, which are from 14s. to 15s.

The agricultural wages are, as is usually the case, much lower. Thus in Saxony they are 9d. a day. In France, from £11 a year in Brittany, £12 10s. in La Loise inferieure to £21 a year in Bordeaux. In Piedmont they are from £8 to £12 a year. These are among the highest rates mentioned in these returns and they are about one-half the English rates.

A few years after, in 1838, a similar inquiry was made by the Hand-Loom Commissioners of Inquiry. I extract from the report of a very intelligent observer, Mr. Symons, the following comparison

between the rate of wages per week in France and Belgium and in England.¹⁹

	<i>France and Belgium</i>	<i>England</i>
First-class mechanics	12s. 6d.	20s.
Second-class mechanics	6 6	14
Farm laborers	6 3	10
Factory laborers	6 3	10 6d.

And yet next to England and Holland, France and Belgium are the two European countries in which the rate of wages is highest.

The most recent account that I have seen of the rate of wages in France is contained in the 5th edition [of] M. Blanc's *Organisation du Travail* published in 1848. He says that his figures were collected with great care, and they have not been objected to and may therefore be presumed to be correct. The wages which he records are those of the artisans of Paris—the most skillful workpeople on the continent, and as they depend principally on the local demand of a city which is not full more than six months, ought to be higher than they otherwise would be in order to compensate for great irregularity of employment. None of them amount to 5 francs (less than 4 shillings) a day. The average is about 3½ francs a day—equal to about 16s. 4d. a week, or about two-thirds of the far more regular wages of London artisans. While I was writing this page M. Duchatel, who has a large property in the Medoc district called on me. I asked him what he paid for wages. He said that the regular price in that country was a franc a day.

It is to be observed however that the positively low rate of wages of the producers of the exported commodity is no advantage to the importing country, so far as that low rate depends on a low productiveness of labor. Given the wages of the producer of a commodity, it is the interest of the purchaser of that commodity that the labor of the producer should be as effective as possible. Given the efficiency of that labor, it is the interest of the purchaser that the wages of the producer should be as low as possible. Assuming a shoemaker to produce one hundred pair of shoes a year, the lower his wages the cheaper those shoes will be. And again, assuming his wages to be 10s. a week, the more shoes he produces the cheaper those shoes will be. We import wheat from North America, where wages are at least 3s. a day and from Poland where they do not exceed 8d. In America the high wages are compensated by the productiveness of labor, while against the low wages in Poland is to be set its inefficiency.* 293

3. Effect on Prices of Increasing Foreign Demand. It has been supposed, however, that the importing country, by its additional demand, would raise the price of produce in the exporting country; and consequently, as its demand increased would import at a greater proportional expense. This is true as to the commodities which are absolutely limited in amount, or are of slow and irregular increase.²⁰ Such are the spoils of wild animals. The whale fisheries are becoming gradually exhausted. The beaver is almost extinct, and the hunting grounds of North America and of Northern Asia—the great sources from which we obtain furs—yield them, not perhaps from year to year, but every ten years, with greater and greater difficulty. Gunstocks are best made of walnut, and forty or fifty years must pass between the planting a walnut tree and its being fit to cut. The great consumption of gunstocks during the revolutionary war raised the price enormously, as there was not time to increase the supply.

The same result may follow from an unforeseen demand, even of things capable of being regularly and independently supplied. Thus during our corn laws, especially during that worst period of them which oscillated between absolute prohibition and free admission, the sudden English demand, for which no preparation had been made, sometimes doubled the price of corn in a few months. But as a general rule I have no doubt that as to all the great articles of raw or slightly manufactured commodities, which depend for their supply on the extent and the fertility of the land and the amount of capital and labor devoted to their production and transport and the skill with which they are applied, the ultimate effect of a foreign demand is to diminish instead of increasing the proportional labor at which they are produced. This is in fact merely an inference from the proposition which I have illustrated [in a former chapter ²¹], that when the increased supply of raw produce is accompanied by increasing prosperity and civilization, it is generally obtained with less proportional labor. A new customer is a new source of wealth and of prosperity, and consequently of capital. There is a greater division of labor, it is more skillfully applied, it is assisted by better machinery and it becomes therefore more productive.

This is a question however on which experience comes to the aid of theory. We have imported raw produce to an extent previously unknown in the history of commerce and for a very long period of years. Has the price risen or fallen with the increase of quantity?

I extract from Mr. Tooke's *History of Prices* ²² up to 1837 and

from his *History of Prices* ²³ to 1847 the following table ²⁴ of the principal articles of import in 1789 (the first year for which the list is complete) and in 1845. I have extracted from the same works the prices in each year, free of duty.

Commodities	Unit	Quantity Imported (⁰ 000 omitted)		Price per Unit			
				1789		1845	
		1789	1845	High	Low	High	Low
Cotton	lb.	32,576	721,979	1s. 8d.	1s. 2d.	7d.	2½d.
Wool	lb.	2,713	76,813	3s. 10d.	3s. 4d.	1s. 1d.	8d.
Raw silk	lb.	842	5,816	24s.	21s.	32s.	8s.
Flax	cwt. ²⁵	139	1,418	£49	£43	£35 ²⁷	£33 ²⁷
Hemp (undressed)	cwt. ²⁵	472	931	£31	£26	£30 10s.	£27 5s.
Coffee	lb. ²⁶	35	50,377	100s.	88s.	142s.	25s.
Sugar	cwt.	1,936	5,820	45s.	38s.	33s.	29s. 11d.
Tea	lb.	16,707	51,056	5s.	3s. 10d.	2s. 6d.	8½d.
Tallow	cwt.	260	1,194	£46	£39	£42 6s.	£40 6s.

Of these nine great articles of raw or slightly manufactured produce, two only have remained about stationary in price, hemp and tallow. In two others, coffee and raw silk, there is an increase in the very highest prices. They are articles of luxury and the high price probably belongs to some peculiarly fine specimens of small amount. But the low price, which represents the bulk of what is imported, has fallen in coffee from 88s. per cwt. to 25s.; and in silk from 21s. per lb. to 8s. In cotton, with an importation increasing from 31 ²⁸ millions to 721 millions of pounds, the price of the best quality has fallen to about one-third of its early price and that of the lowest to about one-sixth. The fall in price ²⁹ however does not fully represent the increased facility with which these commodities are now obtained. Since 1789 the wages of labor have risen, or, in other words, the facility with which a given amount of money may be obtained has increased by at least one-fourth. Adam Smith ³⁰ reckons 1s. 6d. a day as the common wages of labor in London. Two shillings a day is now low. In the country 10s. a week is now about as usual as 8s. a week was then, and the wages of artisans have risen much more. Not only do we obtain the bulk of the raw produce which we import in exchange for less than half the silver which they cost our grandfathers, but we also obtain that quantity of silver with about one-third of the labor which it cost them.* ²⁹⁴

CHAPTER II

THE INFLUENCE OF TRADITIONAL THEORY ON FOREIGN TRADE POLICY

1. The Revival of Exploded Doctrines. 2. Mercantilism, Vested Interests, Independence, and Taxation as Grounds for Protective Tariffs. 3. The Policy of Retaliation in the Absence of Reciprocity.

1. The Revival of Exploded Doctrines. One of the great obstacles to the progress of the moral sciences is the tendency of doctrines, supposed to have been refuted, to reappear. In the pure and in the physical sciences, each generation inherits the conquests made by its predecessors. No mathematician has to redemonstrate the problems of Euclid; no physiologist has to sustain a controversy as to the circulation of the blood; no astronomer is met by a denial of the principle of gravitation. But in the moral sciences the ground seems never to be incontestably won; and this is peculiarly the case with respect to the sciences which are subsidiary to the arts of administration and legislation. Opinions prevail and are acted on. The evils which appear to result from their practical application lead to inquiry. Their erroneousness is proved by philosophers, is acknowledged by the educated public, and at length is admitted even by statesmen. The policy founded on the refuted error is relaxed, and the evils which it inflicted, so far as they are capable of remedy, are removed or mitigated. After a time new theorists arise, who are seduced or impelled by some moral or intellectual defect or error to reassert the exploded doctrine. They have become entangled by some logical fallacy, or deceived by some inaccurate or incomplete assumption of facts, or think that they see the means of acquiring reputation, or of promoting their interests, or of gratifying their political or their private resentments, by attacking the altered policy. All popular errors are plausible; indeed, if they were not so they would not be popular. The plausibility to which the revived doctrine owed its original currency, makes it acceptable to those to whom the subject is new; and even among those to whom it is familiar, probably ninety-nine out of every hundred are accustomed to take their opinions on such mat-

ters on trust. They hear with surprise that what they supposed to be settled is questioned, and often avoid the trouble of inquiring, by endeavoring to believe that the truth is not to be ascertained. And thus the cause has again to be pleaded before judges, some of whom are prejudiced, and others will not readily attend to reasoning founded on premises which they think unsusceptible of proof.

About three hundred years ago, men believed in the existence of an infallible church, possessing a right to require assent to her doctrines, and the aid of the civil magistrate to silence opposition. The corruptions and the persecutions which followed this opinion, led a few strong-minded men to doubt, and ultimately to deny its accuracy. The right of private judgment, the duty of free inquiry, and at length that of toleration, were established in every Protestant country. But scarcely has the victory been apparently gained, when the conflict has recommenced. Catholic Emancipation and the repeal of the Test and Corporation Acts, the crowning triumphs over bigotry and intolerance, were the signals for the appearance of a sect, now rapidly increasing, whose doctrines reproduce those of Hildebrand and Dominic. We are again told, that our belief ought to be the result of obedience, not of inquiry; or, if of inquiry, of inquiry not as to what is proved by evidence, but as to what is asserted by the Church. We are again told of the duty of acquiescence, and of the danger and presumptuousness of investigation, and the civil governor is again urged to repress the crimes of schism and heresy.

Again, fifty years ago it was believed that the state could supply the want of charity among the rich, and of diligence and economy among the poor. It was believed that by means of an agent, possessed of inexhaustible resources, called "the Parish," the whole population of England, whatever were their numbers or their conduct, could be insured a comfortable subsistence; that wives need not suffer for the faults of their husbands, or children for those of their parents; or any persons indeed, except ratepayers, for their own. Throughout the southern districts this opinion was acted on. The overseer, or, on his refusal, the magistrate, undertook to repeal the penalty inflicted by nature on idleness, improvidence, prodigality, and dishonesty, and consequently to annul the rewards which she offers to industry, providence, and conscientiousness.

The discouraged qualities withered; the fostered ones spread with rank luxuriance. The working population became idle, insolent, and dishonest; they ceased to reproduce the fund from which their

wages, or what was now substituted for wages, their relief, was to be afforded. Poor rates began to absorb first, the rents of the landlord, and at length the profits of the farmers; the laboring population, trained to believe that their incomes depended not on the demand for their labor, but on the fears of the overseer, or the favor of the justice, broke out into systematic outrage and rebellion; and England seemed on the eve of events more resembling those of the revolution in St. Domingo, than any that are recorded in modern history. Moral philosophers now pointed out the impossibility of uniting the immunities of slavery and the virtues of freedom. They showed that no improvement was to be hoped while idleness obtained the reward of diligence—while improvidence affected not the imprudent or the extravagant individual, but his parish—and while misconduct at most only transferred the laborer from the farmer to the overseer. Attention was drawn to their reasonings by the reduced value of some estates, by the abandonment of others, and by the fires and insurrections which terrified the south of England in the frightful autumn of 1830.

The shortsighted policy, the false humanity, and the base and selfish thirst for power and for popularity, which had fostered the existing abuses, were denounced by all except a few literary or political demagogues. It was acknowledged that the laborer can be a useful, or even a safe member of society, only while his welfare depends on himself—that independence cannot be made honorable except by making pauperism disgraceful—and that employment can be made an object of desire only by making relief an object of aversion. The act which embodied and gave effect to these principles was passed by acclamation; and whatever might be the dangers to which the social system of England remained exposed, it was supposed to have escaped those which accompany or follow a profuse system of compulsory charity.

Not ten years have elapsed, and almost all the experience of the preceding half century seems to be forgotten. The Workhouse is termed an oppression; the Home Secretary refers triumphantly to the extension of outdoor relief. The House of Commons listens with apparent assent to the reprobation of a dietary which gives meat only once in a week, being about ten times as often as it is enjoyed by the independent laborer; the government thinks itself forced to dismiss more than half of the assistant Commissioners, on whose presence the whole maintenance of the reform depends, and whose number, when at the highest, was grossly inadequate;

and the public opinion of England seems to be resuming all those errors which, ten years ago, disgusted by their folly and alarmed by their mischief.

Those who have read [recent publications on international trade, especially those by Colonel Torrens], will anticipate that I take as a third instance "the Mercantile System." That system is well explained by Joshua Gee, who, in the earlier part of the eighteenth century, published a book entitled,—“The trade and navigation of Great Britain considered; showing that the surest way for a nation to increase in riches is to prevent the importation of such foreign commodities as may be raised at home, and that this kingdom is capable of raising within itself and its colonies materials for employing all our poor in those manufactures which we now import from such of our neighbors who refuse the admission of ours.”

To take (says this author) the right way of judging of the increase or decrease of the riches of the nation by the trade we drive with foreigners, is to examine whether we receive money from them or send them money; for if we export more goods than we receive, it is most certain that we shall have a balance brought to us in gold and silver, and the mint will be at work to coin that gold and silver. But if we import more than we export, then it is as certain that the balance must be paid by gold and silver sent to them to discharge that debt. A nation may gain vast riches by trade and commerce, or, for want of a due regard and attention, be drained of them. I am afraid the present circumstance of ours carries out more riches than it brings home. Whereas formerly great quantities of bullion were brought into this country by the Balance of Trade, and coined into money: the tables are turned, and as fast as we import bullion it is sent away to pay our debts. So, many places endeavor to keep out our manufactures, and still continue to export their linen, hemp, flax, iron, potash, timber, etc., to us, which draws a very great treasure annually out of this kingdom. We send our money to foreign nations, and by employing their poor instead of our own, enable them to thrust us out of our foreign trade; and by imposing high duties on our manufactures, so to clog the importation of them that it amounts to a prohibition.³¹

For more than two hundred years the Mercantile System reigned with almost undisputed authority. At length it was shaken by the French Economists—it was conclusively refuted by Adam Smith—it was abandoned by the scientific and literary public throughout Europe, and by the mercantile public in Great Britain. Turgot and Pitt were among the first statesmen who acknowledged the erroneousness of the theory, and endeavored to amend the practice

to which it had given rise. The revolutionary wars arrested in each country the improvement of commercial legislation; and in France it does not seem to have recommenced on the return of peace. But in Great Britain the Mercantile, or, as it was afterwards called, the Protective system, became unpopular even among those who were supposed to profit by it. Thus the principal commercial men of London presented, on the 8th of May, 1820, that celebrated petition, in which they affirmed—

That the maxim of buying in the cheapest market, and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable as the best rule for the trade of every nation. That although, as a matter of mere diplomacy, it may sometimes answer to hold out the removal of particular prohibitions or high duties as depending on corresponding concessions, it does not follow that we should maintain our restrictions where the desired concessions cannot be obtained. That our restrictions would not be the less prejudicial to our capital and industry, because other governments persisted in preserving impolitic regulations.

And they ended by an earnest protest

against every restrictive regulation of trade not essential to the revenue; against all duties merely protective from foreign competition; and against the excess of such duties as are partly for the purpose of revenue, and partly for that of protection.

Lord Liverpool gave the celebrated answer, that he agreed in every sentiment expressed in this petition; and that, if he were forming a commercial code, such should be its fundamental principles. The attempt [however] to extricate the commerce of the country from the restrictions which centuries of unwise, or fraudulent, or oppressive legislation had imposed, and which never wanted their fierce defenders, was arduous, and its progress was necessarily slow. That progress, however, was felt to be beneficial, and Free Trade gradually became popular everywhere, except within the walls of Parliament. The landlords who constitute the House of Lords, and form the great majority of the House of Commons, have always attached a preposterous importance to their legal monopoly. [But] the leaders of the Tory party, urged on by the educated portion of the community, and immeasurably superior in knowledge and public spirit to the mass of their parliamentary supporters, carried on their reforms with the degree of vigor—it must be confessed a very moderate one—which they thought

consistent with the main object of all their policy, both foreign and domestic, the stability of their own administration. As respects corn and sugar, they have thought themselves forced to make the country pay the penalty of their factious opposition to what they know to be right; but on almost all other questions, the principles avowed by Sir Robert Peel and Mr. Gladstone differ little from those of Lord Lansdowne and Lord John Russell. And for putting those principles in practice, they have an advantage of which it is scarcely possible to overrate the value. The liberal policy of the Whigs was constantly thwarted by the Opposition; that of the Tories is actively supported by it. To the Whigs the Opposition was a drag; to the Tories it is a stimulus. Formerly there was an engine at each end of the train—one pulling it forward and the other pulling it back. Now, while the engine in front is pulling, the engine behind is pushing.

It is under these circumstances, when the expediency of free trade is admitted by the leaders of all the great political parties, by every writer above the rank of the mere daily or weekly journalists, and even by the merchants and manufacturers, whom Adam Smith stigmatized as its enemies—when it is also admitted that retaliating restrictions, though they may sometimes be useful weapons, are always mischievous in themselves—it is under these circumstances that Colonel Torrens³² comes forward to reproduce, not in words indeed, but in effect, the Mercantile Theory—to recommend, in substance, the practice of which that theory was the pretext.*²⁹⁵ [Before taking up Colonel Torrens's proposition, it may be worth while inquiring into the causes which gave rise to Mercantilism and the grounds on which that policy has so long been adhered to even by the most enlightened countries in the world.]

2. Mercantilism, Vested Interests, Independence, and Taxation as Grounds for Protective Tariffs. The advocate of freedom dwells on the benefit of making full use of our own peculiar advantages of situation, wealth, and skill, and availing ourselves to the utmost of those possessed by our neighbors. He asks whether we should act wisely, if we were to declare ourselves independent of foreigners for wine, to devote our mineral treasures, and our industry, to the forcing of grapes for the production of homemade port and claret, and discontinue the manufacture of cottons and woollens for the markets of Oporto and Bordeaux? And he urges that the same absurdity in kind belongs to every protecting duty and prohibition.

He observes, in the words of Adam Smith,³³ that it is the maxim of every prudent master of a family, never to make at home, what it will cost him more to make than to buy. The tailor does not make his own shoes, but buys them of the shoemaker. The shoemaker does not make his own clothes, but buys them of the tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it their interest to employ their whole industry in a way in which they have some advantage over their neighbors, and to purchase, with a part of its produce, whatever else they have occasion for. And he infers, that what is prudence, in the conduct of every private family, can scarcely be folly in that of a great kingdom.

The advocate of restriction and prohibition admits, that if the interests of the consumers were alone to be considered, the law ought not to force the production at home, of what can be obtained better, or more cheaply, from abroad. But he urges, that the opulence of the whole community is best promoted by encouraging its domestic industry. And that the industry of each class of producers is best encouraged by giving them the command of the home market, undisturbed by foreign competition.

His opponent replies, that it is impossible to encourage the industry of one class of producers, by means of commercial restrictions, without discouraging, to an equal degree, the exertions of others. That every prohibition of importation is a prohibition of exportation. That every restriction on the importation of French silks is a restriction on the exportation of those articles with which those silks would have been purchased. That if it benefit the English silk manufacturer, it injures, to at least an equal amount in the whole, though the injury is less perceptible, because more widely diffused, the cotton-spinner, the cutler, or the clothier. That the whole body of producers, therefore, as an aggregate, suffer in their capacity of consumers without compensation.

The really candid defender of restriction (and I am inclined to think that such persons do exist) admits, perhaps, the force of this argument, as applied to nations willing to take in exchange our commodities. To them he is willing to open our market on a footing, as he calls it, of reciprocity. But he urges, that there are many who refuse our commodities; and, while they persist in this ungrateful refusal, he retaliates by not accepting theirs.

The advocate of free trade replies, that the benefit of commerce consists, not in what is given, but in what is received: that if the

foreigner refuse to accept our commodities, he must either refuse us his own, or give them to us for nothing; that, in the first case, the abolition of commercial restrictions can produce no evil, in the second, it must produce a manifest good.

He would do neither, replies his adversary, he would deluge us with his goods, and receive payment for them in our money.* ²⁹⁶

[The last argument, of course, presupposes a belief in the mercantile theory of wealth.] I am inclined to ascribe [the] immediate origin [of that theory] more to the use of money as a measure of value than to its use as a medium of exchange. A man possessed of an extraordinary number of valuable things is rich; but the clearest mode of stating his comparative wealth is to state the aggregate of the sums of money for which all his possessions would sell. We say, perhaps, that he has 100,000 pounds; meaning that such is the aggregate amount of the sums of money for which all his property might be sold. When applied to an individual this language leads to no misapprehension. We know that the person whom we have described as possessing 100,000 pounds does not in fact possess twenty; that he does not habitually keep with him as much money as a petty shopkeeper of not one-tenth or one-hundredth of his fortune. And we are quite aware that if we could force him to increase the money in his custody to ten times its usual amount, we should impoverish rather than enrich him. But when men reason upon national wealth, they seem to forget that it is merely the aggregate of the wealth possessed by individuals. Their minds are confused by its magnitude and complexity; because the wealth of a nation, like the separate masses of which it is composed, may be computed in money, they suppose that it consists of money—a mistake as gross, and perhaps as natural as that of a child who, hearing that a given merchant had 100,000 pounds, should suppose that he had a box containing that sum in gold and silver.

When this strange misapprehension of the nature of wealth had prevailed, I have no doubt that it was indebted for its continuance principally to the impossibility of reducing its principles to practice. We have seen that to sell without buying, or even to continue selling more than you buy, that is, to effect the object proposed by the mercantile system, the forcing a constantly favorable balance of trade, is impracticable. But if it had been practicable to a given extent and for a given time; if by force of prohibitions, restrictions and bounties, we had been able for twenty years together to make our exports exceed in value our imports, to the amount, we will say, of

five millions sterling, and to receive and retain the balance, we should have found ourselves in time possessed of a hundred millions sterling in gold and silver, in addition to our money previously in circulation, which has never probably exceeded forty millions. It is difficult to say to what extent such an addition to our currency, uncalled for by any previous deficiency, would have raised the prices of all English commodities, and how low its abstraction from the currencies of the rest of the world would have sunk the prices of all foreign commodities. It is evident, however, that the rise here and the fall abroad, must have been such as to be inconsistent with the continuance of foreign commerce. When we found ourselves deprived not only of foreign luxuries and comforts—of wine, tea, and sugar—but of the materials of our most essential arts—of cotton, deals, and hemp—and repaid only by the pleasure of using five sovereigns to make a purchase which might have been previously effected by one, such a *reductio ad absurdum* would have been irresistible. We should have instantly seen the necessity of rather allowing our superfluous money, to be exported, than of remaining like Midas, abundantly provided with gold, but in want of food, raiment, and shelter. It is precisely because the object of the mercantile system is unattainable, because a balance of trade universally favorable cannot be created under ordinary circumstances, or, if created, could not, under ordinary circumstances, be retained for a month, that the absurdity of this system remained so long undetected, and is still generally unacknowledged. It follows a will-o'-the-wisp, which can remain an object of pursuit only so long as its real nature is unknown.

But, it may be said, granting the delusion as to the practicability and the utility of the end proposed by the mercantile system to have been universal—and universal it certainly was, and almost continues to be—yet as the means are so clearly productive of immediate injury, how came they to be so readily acceded to? How comes it that any departure from them is submitted to with such reluctance?

The answer is, that though restrictions and prohibitions of importation, and bounties on exportation, always occasion public loss, they produce, or are supposed to produce, individual gain.*²⁹⁷ Nothing spreads so rapidly, or is eradicated with so much difficulty, as a scientific error defending a practice which powerful classes wish to maintain. It is propagated by thousands who are satisfied with the conclusion, and never think of inquiring into the truth of

the premises or the accuracy of the inference. Its very erroneousness, by rendering the reasoning obscure, gives to it an appearance of abstruseness and profundity.* ²⁹⁸

No well-informed person doubts that, if no corn laws had existed, the landed proprietors of Great Britain would have been much richer than they now are. Less land would have been employed in producing corn, and more applied to raising green crops, meat, and the produce of the dairy and the garden; the wealth and population of the country, and consequently the demand for their produce, would have been much greater; and they would have enjoyed the advantage which the proximity of a town gives to the neighboring country. But, mischievous as the corn laws have been, even to those who expected to profit by enacting them, it is not probable that they could be repealed without exposing some persons to immediate loss; and the same remark applies to almost all the monopolies created by the Mercantile System. Although those who enjoy such a monopoly, or, as it is usually called, such a protection, seldom profit by it; that is to say, are seldom richer, and often are poorer than they would have been if no such monopoly had existed, and they had not been seduced to divert their capital and industry from their natural courses, yet they almost necessarily lose by being deprived of it. Their fixed capital, their established connections, and their peculiar knowledge or skill, lose a part of their value, or perhaps the whole. The advantage of the change is diffused over the general mass of consumers, the evil is concentrated on a comparatively small knot of producers; and it is difficult to estimate the power of an active minority opposed to that defenseless unenergetic body, the community at large.* ²⁹⁹

The subject is still further obscured by that powerful instrument of confusion, national jealousy. Free trade is not only to deprive us of our money, it is also to carry it to our neighbors; it is to do worse than impoverish ourselves, it is to enrich them. The trade with a country is likely to be advantageous in proportion to its extent, productiveness, and proximity. The trade between Middlesex and Kent is more advantageous to both parties than that between Middlesex and Caithness. But those very circumstances are the causes of national jealousy. The trade between Great Britain and France would be the most beneficial that either country could carry on: they are countries of great extent and powers of production; their respective wants and supplies are happily adapted to each other, and the short sea, which, for commercial purposes,

rather unites than separates them, reduces the expense of carriage almost to nothing. The wines of the Garonne would naturally be cheaper in London than in Paris. The mineral treasures of Wales and Cornwall would find their way as easily to the Loire as to the Thames. For these very reasons each nation has always exercised her perverse ingenuity to exclude the commodities of her neighbor.

Another most efficient fallacy consists in a use of the word "independent." To be independent of foreign supply, in consequence of the abundance of our own, is unquestionably a benefit. If we could give to our soil and climate the productive powers of the richest plains in Mexico, and instead of eight or ten, obtain a return of ninety or one hundred, for every grain of wheat committed to the earth, we should be independent of foreign grain; but the benefit would consist not in the independence, but in the abundance. The independence of the mercantile system is accompanied not by abundance, but by privation; it arises not from the extent, but from the mismanagement of our resources; not from our riches, but from our self-inflicted poverty.*³⁰⁰ The half-naked subjects of Caractacus were doubtless independent of foreign supplies, and so is the semibarbarian who burrows in the ruins of Persepolis, and cultivates his dates among the remains of palaces. Every approach on our part to a similar independence must be obtained by an approach to a similar condition.*³⁰¹

Independence of our neighbors has, however, sometimes been recommended, not as a means of wealth, but of security. This view of the subject is not within the scope of political economy.³⁴ If I might venture to travel somewhat beyond my sphere, I should reply that it seems forgotten that dependence, as well as independence, must be mutual; that we cannot be habitually dependent on another nation for a large portion of our annual supplies without that nation's being equally dependent upon us. That if such a mutual dependence should increase the inconveniences of war to the one, it would equally increase them to the other. That if the supposed intercourse were one in which England received raw produce in return for her manufactures, or even her gold (and such are the cases in which this argument is chiefly used), such an intercourse would bind to her the foreign country in question by the strongest of all possible ties, the immediate interest of the owners of the soil, the most powerful class in every community, and the only class possessing power in a poor country. I should illustrate the argument by our relations with the Baltic states. I

should observe that our dependence on them for the principal materials of our navy,—a dependence carrying a peculiar appearance of insecurity, never seemed to diminish our strength during war, while the dependence on England of the Russian landholders for their rents, made peace with us absolutely essential to them; and actually enforced it by means of the unpunished murder of one sovereign, and unresisted menaces to another. And I should infer from all this, that an attempt at commercial independence must infinitely increase the chances of a war to a nation, by diminishing the motives in other nations to remain at peace with her, and, by impoverishing her, must make her less able to support the wars to which it inevitably leads. *To the mercantile system, besides its own peculiar follies, we may in general attribute the greatest of all human follies, the existence of war between civilized nations.*

It will be observed that I have considered all interference with the natural channels of commerce, all prohibitions and restrictions on importation, and all bounties on exportation, as founded on the mercantile system; or, in other words, on the belief that wealth consists of gold and silver, and that the amount of the gold and silver in a country is to be increased by securing to her a favorable balance of trade; that is, a trade in which her exports shall always be of greater value than her imports, and the balance be paid to her in money. I have done so, because, with three exceptions, which I shall mention hereafter, no plausible defense of any interference with commerce can be made on any other principle. I say no *plausible* defense, because I should not consider a wish to favor one class of the community at the expense of another, or at the expense of the whole community, a plausible defense. I do not consider the monopolies which Elizabeth, in the ignorance of her times, thought, or pretended to think, cheap rewards to her favorites, defensible. Nor do I think a monopoly in favor of a class more defensible than one in favor of an individual.

I know, indeed, that there are many honest maintainers of the opinion that the prosperity of a country is best promoted by protecting her industry from foreign competition, and rendering her independent of foreign supply, who do not formally admit the truth of the mercantile theory, or, more frequently, are ignorant that such a theory exists. Such persons, in general, are mere repeaters by rote of prejudices caught up in conversation, and if they ever search for a reason, are satisfied with finding one in the sounds “protection” and “independence;”—sounds, they think, entitling

them to the countenance of what they call common sense. When it is possible, however, to drive or to seduce them into argument, their first or second move leads them inevitably, [as shown in the beginning of this section], to the mercantile theory. They cannot deny that the commodities which they would exclude must be given to us gratuitously, or in exchange for our own produce, or for money. The first supposition, granting that we could be sufferers by it, is too absurd even for the reasoners whom I am describing. If they adopt the second, they must admit that the loss to the producers, whose exports we indirectly prohibit, balances the gain to those whom we forcibly encourage, leaving the loss to the public uncompensated: they are driven, therefore, to maintain that the payment would be made in money; and to suppose that such a payment could continue, and would be an evil, *is* the mercantile theory.

I have observed, however, that there are three cases in which an interference with the natural course of trade may be defended, without recourse to the mercantile theory. The first is, where the defense rests on the grounds of security. This argument I have already disposed of.

The second case is, where a long persistence in the system of exclusion has occasioned the formation of expensive domestic establishments, and the education of numerous artificers, to whom the admission of the foreign commodity would be injurious. The answer to this argument, on the mere principles of political economy, is obvious. The only purpose of the supposed establishments and skill is, the producing the commodity in question. If that commodity, or a substitute which is preferred to it, can be obtained without their assistance, they are as useless as a machine which has been superseded by a better invention; as useless as a ferry after the erection of a bridge. To perpetuate the old system, because, whenever it is abandoned particular interests must suffer, is a principle which, if fairly applied, would lead to the suppression of every improvement whatever. No improvement can possibly be made which shall not be immediately injurious to somebody. Printing ruined the copyists; and the Turks, to protect their interests, prohibited it. Vaccination was deeply injurious to medical men. Steamboats interfere with our coasters and packets. If we should think it madness to prohibit, or to tax, the use of an improved steam engine, because it must be injurious to those employed in raising coal, what pretense is there for prohibiting or taxing foreign ribands or velvets because their importation would be injurious to

the English silk-weaver? On what pretense can the man who throws the shuttle claim a protection which we should deny to him who works in the mine, or navigates the collier?

I should grieve to be supposed indifferent to the partial evil which must accompany any change in the channels of commerce, however generally beneficial. I am far even from thinking that the peculiar evils sustained by those who are injured are balanced by the advantages obtained by those classes of producers who are peculiarly benefited by the change. I well know that when loss and gain appear equal, the loss is a greater evil than the gain is a good. I resist the interposition of government against the most beneficial direction of our industry, or, in other words, I defend free trade, solely on public grounds. Solely because to prohibit every change which is accompanied by individual injury would be to prohibit every improvement whatever. Because the effect of such a barbarous policy would be at best to keep us at the point at which we stood when it was introduced;—to sacrifice, in fact, the very end of government. For what is the end of government but to promote the happiness of the whole³⁵ by forcing the interests of individuals to bend to those of the community?—the few to submit to the many?

Unfortunately the prejudices of the mercantile theory have prevented the application of this reasoning to foreign commerce. They have done more; they have turned against improvement the very argument which ought to be decisive in its favor. They have enabled those who fear that they may suffer individual injury from foreign competition, instead of merely deprecating that injury, or praying that the sacrifice of their interests to those of the public may be as much softened to them as possible, to found their opposition on public grounds; to proclaim that every departure from our system of exclusion will make us dependent on foreigners, and deprive us of our money, and in short to call in aid of what they suppose to be their own immediate advantage all the absurdities of that monstrous theory.*³⁰²

[The last species of commercial interference which is not directly traceable to the mercantile theory, is taxation.] The principle of free trade is noninterference: it is to suffer every man to employ his industry in the manner which he thinks most advantageous, without a pretense on the part of the legislator to control or direct his operations. But when a tax is laid on any domestic product for which a substitute can be obtained from abroad, if the tax

exceed the difference between the price at home and abroad, and the expense of importation, it may, besides the general evils necessarily incident to a tax, also operate as an interference with the natural employment of industry. It may occasion the home producer to abandon his business and devote himself to the production of some other commodity, by the exportation of which he may be enabled to import, tax free, the foreign commodity. A heavy tax is imposed on the domestic manufacture of glass:—if no restrictions were imposed on the importation of foreign glass we should cease to manufacture glass at home, and devote an additional portion of our industry to the manufacture of commodities to be exported in exchange, direct or indirect, for the glass of France and Germany.

The obvious mode of preventing this is to levy an equivalent, or, as it is called, a countervailing duty on the foreign commodity: and we may easily believe that no government is likely to be wanting in this precaution. The fault is uniformly on the other side. Partly with a view to reconcile to the tax the domestic producer; partly in the hope of additional revenue; and partly with the patriotic intention of protecting domestic industry, a specific tax on any home product is always accompanied, not by an equivalent, but by a much heavier tax on the foreign commodity which might be a substitute for it. And the necessary evils of the tax are augmented by making it a pretext for new restrictions on commerce. But if the duty be no more than a countervailing or equivalent one, it is not a departure from the principles of free trade but an application of them.

This argument, however, is often made use of to sanction the grossest violation of those principles. We have seen that free trade is founded on noninterference—on the unquestionable axiom, that the wealth of the whole nation is best promoted by allowing each individual to employ himself in the way which he thinks most advantageous to himself, without the influence of motives artificially supplied by partial taxation. But taxation can supply such motives only while it *is* partial. When a tax is laid generally on all employments, it obviously can occasion no transfer of industry from one employment to another. An exclusion of foreign commodities founded on such a tax, must, of course, either be general, or a particular one. We have seen that such a general exclusion, if it were possible, instead of diminishing the necessary evil of the tax would be itself a fresh, and a far severer calamity. On the other hand, a particular exclusion would be an attempt to favor some

particular class or classes of producers at the expense of the community. The first would be simply mischievous; the second mischievous and unjust.* ³⁰³

3. The Policy of Retaliation in the Absence of Reciprocity. [Having examined the old arguments against free trade, it remains for us to consider Colonel Torrens's views in defense of retaliatory duties. I will state his propositions in his] own words, both to avoid the danger of misrepresentation, and because I do not think I could state them with greater clearness or brevity:—

First—When commercial countries receive the productions of each other duty free, then (the efficacy of labor being the same in each) the precious metals will be distributed amongst them in equal proportions, and the general scale of prices will be the same in each.

Second—When any particular country imposes import duties upon the productions of other countries, while those other countries continue to receive her products duty free, then such particular country draws to herself a larger proportion of the precious metals, maintains a higher range of general prices than her neighbors, and obtains in exchange for the produce of a given quantity of her labor, the produce of a greater quantity of foreign labor.

Third—When any country is deprived of that command over the precious metals which is due to the efficacy of her labor in producing articles for the foreign market, by the hostile tariffs of other countries, she may recover her due command over the metals, by imposing retaliatory and equivalent duties upon the importation of the productions of the countries by which the hostile tariffs are maintained.

Fourth—When, from foreign rivalry and hostile tariffs, a country begins to lose a portion of her former command over the precious metals, and to experience a contraction of the currency, a fall in prices, in profits, and in wages, and a falling off in the revenue; then, the lowering of import duties upon the productions of countries retaining their hostile tariffs, instead of affording relief, would aggravate the general distress, by occasioning a more rapid abstraction of the metals, and a deeper decline in prices, in profits, in wages, and in the revenue, accompanied not by a diminution, but by an increase in the real extent of taxation.³⁶

Colonel Torrens does not weary his reader with facts. His whole proof consists of the following intellectual diagram.

He supposes two countries, which he distinguishes by the names of Cuba and England, to be equal in territory, fertility, population, amount of capital, and general efficiency of labor; that they have each a metallic currency amounting to £30,000,000, and trade only with one another—England having in commodity A, which he

calls cloth, and Cuba in commodity B, which he calls sugar, an irresistible superiority. While trade is free, A and B will alone be exchanged. Colonel Torrens assumes, on what ground I know not, that equal values of each must be exchanged; and supposes that exchange to consist of 1,500,000 cwt. of sugar, worth 30s. per cwt., against 1,500,000 bales of cloth, worth 30s. per bale.

He now supposes Cuba to impose on cloth a duty of 100 per cent, and England not to retaliate. The result, he says, will be a proportionate diminution of the consumption of cloth in Cuba. England will export only 750,000 bales of cloth instead of 1,500,000—will receive for them only £1,125,000 instead of £2,250,000, and, still continuing to import 1,500,000 cwt. of sugar, must pay annually the balance of £1,125,000 in money. “Thus, then,” he says, “a new distribution of the precious metals between England and Cuba would follow as a necessary consequence. The circulation of Cuba would be increased to £31,125,000, that of England contracted to £28,875,000.” He goes on to state, in words, or in substance, that there must be in the two countries an alteration in the money prices of commodities, corresponding with the altered distribution of the precious metals; and therefore, when the increase of the circulation in Cuba raised the price of sugar there, the price of sugar imported from Cuba must also rise in the British market; and when, in England, the contraction of the currency depressed the price of British fabrics, the price of British fabrics must fall in Cuba. In Cuba the consumption of cloth would be increased by a twofold cause—the fall in its price, and the increased quantity of money applicable to its purchase. In England the consumption of sugar would diminish in consequence both of its rise in price and the diminution in the quantity of money. England would go on paying to Cuba a balance, partly in money and partly in cloth, until the circulation of England should be reduced to £20,000,000, and that of Cuba increased to £40,000,000; and in consequence the price of cloth should have fallen from 30s. to 20s. per bale, and that of sugar risen from 30s. to 40s., and the exportation from England of 1,500,000 bales, worth 20s. per bale, would discharge the debt incurred to Cuba, by the purchase of 750,000 cwt. of sugar at 40s. per cwt., and therefore no further transmission of the metals would be required. He adds that:—

The loss of wealth occasioned by her receiving a less quantity of foreign produce in exchange for the same quantity of exported goods,

would be the least portion of the evil inflicted upon England by the change which has been described. Under the circumstances assumed, the abstraction of the precious metals, the contraction of the circulation, the fall in the money price of all domestic products, the increase in the value of all fixed salaries and charges, and the augmented pressure of the debt, would concur in creating a crisis more calamitous than any that has actually been experienced. National bankruptcy and revolution would be the probable results.

It will be abundantly obvious, that for the evils resulting from the causes now described, the appropriate remedy would not be a reduction of import duties in England. Under the circumstances supposed, relief might be derived from increased taxation. An *ad valorem* duty of 100 per cent imposed upon the sugars of Cuba, would relieve the country from the payment of a foreign tribute of equal amount, would bring back the metals which had been abstracted, restore the circulation to its former amount, raise the price of all domestic products, lighten all fixed charges upon land and industry, and mitigate the pressure of the debt.³⁷

I need not fatigue the reader by stating Colonel Torrens's demonstration of his last positions. It consists simply in the assumptions, that the duty on sugar would diminish its consumption in England by one-half; that Cuba must annually pay in money the balance between her import of cloth and her now diminished export of sugar, until the former distribution of the precious metals, and the former prices of cloth and sugar, were restored; and England and Cuba had again their respective currencies of £30,000,000 each, and the exchange of 750,000 bales of cloth against 750,000 cwt. of sugar, balanced the accounts between the two countries.

It will be observed that Colonel Torrens assumes, first, that a country can exclude foreign commodities without diminishing the efficiency of its own labor; and secondly, that the value in any country of the precious metals, depends solely on their quantity there—rises precisely in the proportion in which the quantity is decreased, and sinks precisely in the proportion in which it is augmented. I believe that if he had considered more patiently either the causes which affect the efficiency of labor, or those which regulate the value of the precious metals, he would not have modified, but abandoned, the greater part of his conclusions.*³⁰⁴

He states that his imaginary Cuba, after having excluded one-half of all her previous imports, will retain all her previous productive powers. He forgets that she must immediately withdraw from other pursuits a portion of her capital and her industry, in order to produce at home a portion of what she formerly imported; or, if he

does not forget this, he does not perceive that the general diminution of the division of labor which must be the consequence, must produce the further consequence, of a general diminution of the efficiency of labor. Taking his hypothesis as he has laid it down, namely, that England and Cuba were, when Cuba first laid her duty on English cloth, precisely equal in wealth and in productive power as to every commodity except cloth and sugar; the result would be, that after Cuba had forced herself to misapply a portion of her capital and labor to the making cloth, she would, in some branches of industry, become inferior to England. Both the English producer and the Cuba consumer would find it profitable that certain commodities previously made in Cuba should be supplied from England. The labor and capital previously devoted to them in Cuba might be employed in the production of cloth; and part of the labor and capital previously devoted, in England, to the production of cloth for Cuba, might now be devoted to the production of these substituted articles. In such a case, no money need pass, and Colonel Torrens's vast superstructure falls.

He is entitled, however, to amend his hypothesis, [though he has failed to do so], and to suppose that the 100 per cent duty is imposed in Cuba upon every English commodity except money. Under such circumstances, Cuba would be forced to withdraw from other employments labor and capital, to be employed in making cloth, and could not supply their place by importation; and England would have to find an employment for the labor and capital now no longer wanted to make cloth for Cuba, and could not find it in the production of any other consumable commodity for that market.

It is obvious that the capital and labor in England, which could no longer be employed in their accustomed trade of supplying cloth for the Cuba market, would be employed in the new trade of procuring and exporting the precious metals to Cuba; and that the capital and labor which would not be wanted in Cuba, in order to make the cloth formerly imported from England, would in fact be obtained by applying to that purpose the capital and labor formerly employed in procuring the precious metals. In short, that the result of the restrictions laid by Cuba on her commerce with England, would be to turn some of the English clothiers into miners, and some of the Cuba miners into clothiers.

The possibility of such a result, however, is not alluded to by Colonel Torrens. He does not admit that either of his two imaginary countries, which, it is to be recollected, represent the whole

commercial world, could increase its stock of money except by taking from that of the other. He does not admit that the value of the currency of either is connected with its cost of production. He seems to suppose that some unknown agent has thrown into the commercial world a certain amount of the precious metals, incapable of increase or diminution, and depending for its value³⁸ on its quantity.*³⁰⁵

Colonel Torrens states with perfect truth, that the main cause which renders the value of money, in relation to labor, different in different countries, will be found to be the different degrees of "efficacy with which, in different countries, labor is applied."—(*Budget*, p. 24.)—Yet, in the next page, he assumes that the value of money depends on its quantity, and may be lowered by increasing that quantity, and raised by diminishing it:

Let us assume (says he) that labor is applied with equal effect in England and in France; that, in consequence, the metals are distributed in equal proportions throughout the two countries; and that the commerce carried on between them consists in the interchange of hardware, worth in England £1,000,000, for wine, worth in France £1,000,000. This being the previous state of things, let us assume further, that while England receives the wines of France duty free, France imposes a duty of 50 per cent upon British goods. The effects of this duty would be to alter the distribution of the metals in favor of France, and, consequently, to raise prices in that country, and to lower prices in England. The process would be as follows:—In France, the price of British goods would be increased by the amount of the duty, and their consumption in that country diminished in a corresponding degree; while in England, in the first instance, the price of French wines would not be enhanced, and the consumption would, consequently, continue as before. The result of these changes would be, that England could not now send to France such a quantity of hardware as would pay for the wine she received, and would be compelled to discharge a portion of her foreign debt by a transmission of bullion: this would raise prices in France, and depress prices in England. In England there would be less money applicable to the purchase of wine, and the consumption would diminish. In France, there would be more money applicable to the purchase of hardware, and the consumption of British goods would gradually increase; and these processes would continue until the quantity of hardware sent to France again became sufficient to pay for the quantity of wine received, and until no further transmission of the metals should be required. But when the commerce between the two countries should thus be restored to a trade of barter, the precious metals would no longer be equally distributed between them, and the scale of prices would be higher in France than in England.

These hypothetical illustrations, in which every element is imaginary, and the words France and England, hardware and wine, might be replaced, and perhaps advantageously, by A and B, X and Z, are often instructive. But the writer who uses them incurs one of two dangers: either that of fatiguing his readers by an enumeration of all the supposed circumstances which may affect the conclusion—an enumeration which it is as difficult to follow, and to bear in mind, as it is to master the *dramatis personæ* of a new play; or that of omitting to state some of the essential conditions.

Colonel Torrens has avoided the former of these errors. His illustrations are simple. They seldom contain more than three or four suppositions. But he has fallen headlong into the latter. By not considering the precious metals as the subjects of waste and supply—by not considering the mode by which the stock is kept up—by not considering the influence of commerce on the efficiency of labor, and by confining his attention to two, or at most three countries, and not considering the manner and the degree in which the changes in their mutual intercourse would affect their commercial relations with other nations—he has been able to extract from his assumed premises consequences which I believe to be not merely unlike those which would be the real results, but absolutely opposed to them. He has inferred wealth from conduct which would produce poverty; and a rise of prices from causes which would make them fall.

I will not, however, fatigue the reader by opposing to Colonel Torrens an hypothesis as abstract as his own, and more complicated. I will take the British Islands and France as they are, and endeavor to show what would be the actual results to each country, of a change in the French commercial code which should suddenly diminish by one-half our exports to France.

In the year 1841 France, according to the French return, imported from the British Islands, including their European dependencies, merchandise of the value of 144,048,592 francs, and precious metals of the value of 65,402,822 francs. Of the merchandise she reëxported 42,140,718 francs, and retained for home consumption 101,907,874 francs; of which 77,784,894 francs consisted of materials of industry, 7,939,894 francs of raw consumable produce, and the remaining 16,183,086 francs, of complete manufactures. During that year she exported to the British Islands merchandise of the value of 163,892,613 francs, and precious metals of the value of 20,876,485 francs. Of the merchandise, 56,401,681

consisted of foreign commodities reëxported; and the remaining 107,490,932 were French productions.

To avoid dealing with such cumbrous figures, I will call her exports to the British Islands of French productions, and her imports for home consumption, each four millions sterling; three-fourths of the imports consisting of the materials of industry. Supposing France now to impose duties reducing her British imports by one-half: the first result would be, that French capital and French labor must be diverted from their previous employment, to produce at home what was previously purchased from abroad. On looking through the detailed statement of the importations from the British Islands, it will be seen that scarcely any commodity is mentioned, the use of which could be dispensed with, or without great inconvenience diminished. If we suppose that the supply could be produced at home at an additional expense of only 50 per cent, it would cost three millions to produce what could have been imported for two millions. £20 a year is a high amount for the wages of a French family; at that rate of wages, and assuming nine-tenths of the cost to consist of the wages of labor, it would require the labor of 108,000 families, or about 540,000 persons. All this labor, and the capital necessary to set it in motion, must be taken from other employments. To what extent this would diminish the general division of labor in France, and the general efficiency of French labor, it is of course impossible to say; but that it would diminish both cannot be doubted.

In the next place, the increased cost of production of large classes of commodities, comprising many of the most important materials and implements of agriculture and manufactures, would occasion a further, and probably a still more severe blow to the industry of France. The loss annually inflicted on the agriculture alone of France by the high duties on British iron, is estimated by an eminent French authority at 49,522,000 francs, or about two millions sterling.³⁹

In 1841, France imported for home consumption, merchandise of the value of 804,557,931 francs, and imported in gold and silver 186,980,851 francs; she exported French products of the value of 760,653,561 francs, and in gold and silver 72,892,083 francs. In round numbers, her imports of merchandise may be called £32,000,000 sterling, and her exports £30,400,000; her imports of gold and silver, £7,500,000 sterling, and her exports £3,000,000. About 45 per cent of her importations were the produce of the countries

immediately adjoining her;—England, Belgium, and the dominions of the King of Sardinia, (which alone furnished more than 33 per cent) Germany, Spain, and Switzerland; and the same countries received about 47 per cent of her exports. It is obvious that among countries so much resembling one another in climate, soil, and civilization, as France and the group of nations which surround her, a slight difference in the cost of production must decide, as to many commodities, which shall be the exporting and which the importing country.

The diversion of a portion of the industry and capital of France from their former employments, in order to produce at home half of the commodities which she formerly imported from England, and the general diminution of the efficiency of her labor, would make it the interest of many French consumers to purchase abroad much of what they formerly purchased at home: it would make it the interest of many foreign consumers to purchase at home, or in other markets, much of what they formerly imported from France. Nearly one-fourth of the exports of French products consists of cotton and woolen manufactures;—commodities with respect to which she has no natural advantages, and in which Britain, Belgium, Germany, and America are her formidable rivals. An addition of one thirty-second part to the imports into France, and a diminution by one-thirtieth of her exports, would take from her more than the two millions of specie which, according to the mercantile theory, she was to have gained by the exclusion of British commodities. But it is clear that she would lose much more. We have seen that the value of money, in relation to labor, in different countries, differs according to the efficiency with which in each country labor is applied. As French labor became less efficient, its value would fall in the general market of the world—a less sum than before would perform the functions of money. As the value of gold and silver with relation to labor rose, or, in other words, as it required more labor to purchase a given quantity of either, her population could no longer afford to use the same quantity of plate. She would require less of the precious metals than before, and she would obtain less. Her national debt, her taxes, and her fixed payments, would rise in value; and all the effects which, according to Colonel Torrens's supposition, ought to occur in England, would take place in France. There would be a change in the distribution of the precious metals; and, what is really important, there would be in France a change in the cost of obtaining them. France would not

only have fewer commodities, but less gold and silver; and, to obtain a given amount of either the one or other, would cost every Frenchman more labor than it does now.

Let us now see what would be the effects in England. From the year 1825, the earliest for which we have regular returns, until 1841, inclusive, England has exported to France, in coin and bullion, the average annual sum of 95,563,294 francs, or £3,822,531; and has imported from France, in coin and bullion, the average annual sum of 36,273,840 francs, or £1,450,953. As soon as the change in the French tariff took place, and the export of commodities from England to France fell from £4,000,000 to £2,000,000, her imports continuing to be £4,000,000, it would be necessary that England should either increase her annual remittance of coin and bullion to France by £2,000,000, or cease to receive the £1,400,000, which she now receives, and increase her remittance by only £600,000. As the greater part of the bullion which England annually imports is imported only for the purpose of reexportation, she might either direct to France a larger portion than she now directs to her of her exports of the precious metals, or she might order her foreign correspondents to send to France, instead of to herself, £600,000 out of the eight or nine millions of gold and silver which she now annually receives.

Such a change would produce a slight disturbance in the bullion trade—one of the most trifling businesses in the empire; and this slight and transient disturbance would be the whole amount of its effect on the British money market. Instead of draining us of our gold and silver, doubling our debt, halving our wages, and making us pay to the French treasury an annual tribute of £2,000,000 sterling, it would merely give some trouble to the clerks of half a dozen dealers in a trade which probably does not employ 500 persons!

The only real injury which England would suffer, would be, that the £2,000,000 of commodities formerly sent to France, must now receive a different destination; or the labor and capital formerly devoted to them a different employment. Of course, this would be an inconvenience. Every forced change in the channels of trade is an inconvenience. But there are grounds for believing that in this instance the inconvenience would not be great or permanent. In the first place, England would find herself in an improved situation in all the markets in which France was formerly her competitor. The efficiency of labor, and consequently the power of exporting

commodities, having diminished in France, the English exporter would everywhere meet his French rival on better terms;—might divide a trade of which he previously had only a small share, and monopolize one which he previously divided. And, as all manufacturing superiority has a tendency to increase—the greater quantity being in general produced at a less proportionate expense, and the less quantity at a greater proportionate expense—it is difficult to say to what extent the relative superiority of English over French manufacturing industry might be carried. The new or enlarged outlets might be sufficient to absorb the whole £2,000,000 worth of commodities excluded from the French market. I will suppose, however, that they dispose of only one-half. The labor and capital previously engaged in producing commodities of the value of £1,000,000, would have to seek a new market. We may assume 9/10ths of their cost to have consisted of the wages of labor, the wages of a British manufacturing family to be about £36 a year, and the capital engaged to have been equal in amount to the value of the commodities produced by it in a year.

On these data, which I believe to represent fairly what actually takes place, the commodities in question employed a capital of about £1,000,000, and the labor of about 25,000 families, constituted of about 125,000 persons. If there were anything peculiar in the machinery or in the skill required for the production of commodities for the French market, the contraction of that market must diminish, and might destroy the value of that peculiar skill or machinery; just as peace diminishes or destroys the value of the skill and machinery employed in producing some military articles. But there is no such peculiarity. Our exports to France are not the results of any manufacture especially adapted to French use; they are merely a part of the commodities which we produce for our own consumption. Yarns, linens, silks, and minerals, amount to more than eighty per cent of them. The only result of the diminution of our trade with France, would be a rather larger supply of these commodities in the market than before. But unless we believe in the possibility of a general glut—unless we believe that everybody can have too much of everything—we cannot believe that the produce of the labor of 25,000 families, or of £1,000,000 worth of capital, would want a market. Every year more than double that number of families are added to our population, and several millions to our capital. All these newcomers must be fed, clothed, lodged, and warmed. Nine-tenths of them are employed in produc-

ing commodities and services, to be exchanged against those which they require themselves. Not only the home market but the foreign market is constantly expanding itself. Notwithstanding those hostile tariffs from which Colonel Torrens fears our commercial dethronement—notwithstanding the aid which we afford to such tariffs by our own senseless or corrupt legislation—the exports of the British Islands augment more rapidly than either the population or the capital.

[According to the official returns], the declared values of British and Irish produce and manufactures, exported during the fifteen years ending with 1841, [were as follows:]

1827.....	£37,000,000	1835.....	£47,000,000
1828.....	36,000,000	1836.....	53,000,000
1829.....	35,000,000	1837.....	42,000,000
1830.....	38,000,000	1838.....	50,000,000
1831.....	37,000,000	1839.....	53,000,000
1832.....	36,000,000	1840.....	51,000,000
1833.....	39,000,000	1841.....	51,000,000
1834.....	41,000,000		

The details of that table show what changes may occur in particular branches of foreign commerce, without disturbing its general advance. They show that, in the years which it comprehends, our exports to particular countries frequently varied backwards and forwards by more than a million a year. But if we take periods of five years, the aggregate advance is progressive and great. A change, indeed, like that which occurred in our commercial relations with the United States of America, between the years 1836 and 1837, when our exports in one year, and to one country, fell from twelve millions to four, is a serious calamity; especially if aggravated, as it was on that occasion, by a bad harvest and a sliding corn-duty. But a change merely equal to the one which I have supposed—a change affecting our exports to one country only to the extent of a million, might occur almost without being perceived.

I will now consider the probable result, if England were to adopt the retaliatory measures recommended by Colonel Torrens and others, and impose additional duties on French commodities, which should diminish by one-half the £4,000,000 worth which she now imports from France. It is obvious that England would suffer evils the same in kind as those which were inflicted on France, when she imposed duties which reduced by one-half her imports from England. England must now produce at home, or import from a less advantageous market, substitutes for the £2,000,000 worth of com-

modities which she previously received from France. Her wants would be worse supplied and at a greater expense. Her labor and capital would be less concentrated on the employments in which they are most efficient. The raw materials which she now imports would be dearer. The diminution in the division of her labor, and the increased price of some raw materials, would somewhat diminish the efficiency of her labor. She would be a less formidable rival to France, and to all her other competitors, in third markets. She might, perhaps, export less gold and silver to France, but she would be able to import less from other countries. The wages of labor, and with them the general ability to use plate, would diminish. Instead of increasing her stock of the precious metals, she would diminish it. In short, the results of the measure would, as in the case of France, be precisely the reverse of those which it was intended to produce.

But though the results in each case would be the same in kind, they would be different in degree. The imports from England into France consist principally of the materials and instruments of production; and of that production which is most useful to the mass of the community. Those from France into England consist principally of finished commodities; and those commodities are principally for the use of the opulent classes—a comparatively small minority even in England. Forty-two per cent, or nearly one-half, consist of silk, cotton, woollen, and linen goods, all of them of the finer kinds. The wines and brandies, amounting to 12 per cent, are also for the consumption of the higher classes. Grain and eggs, the former of which amounted, in 1841, to $9\frac{8}{10}$ per cent, and the latter to $5\frac{3}{10}$, and madder, which constituted $3\frac{9}{10}$ —altogether 19 per cent—are the principal French commodities which the bulk of the British community consume. The customhouse war which I have supposed, like the customhouse war which now unhappily exists between the two countries, would be far more mischievous to France than to England. But that it would be mischievous to England—and, which is the important question, that the evils inflicted on England by the restrictions imposed on her commerce by France would not be diminished, but would be aggravated by retaliation—I think has been satisfactorily proved.* 308

CHAPTER III

THE PERILS OF THE PROTECTIVE RÉGIME

1. The Controlling Factors in International Trade. 2. Commercial Restrictions and the International Division of Labor. 3. England's Industrial Supremacy and Her Commercial Code.

1. The Controlling Factors in International Trade. [As previously explained ⁴⁰] everything which can be produced at will, is subject to two different costs of production: the one the *minimum*, below which price cannot permanently fall; the other the *maximum* beyond which price cannot permanently rise. The first, which may be called the cost of production to the producer, or seller, consists of the sum of the sacrifices which must be made, or in other words, the sum of the wages and profits which must be paid or retained by the producer in order to enable or induce him to continue to produce;—including, of course, the wages of his own labor, and the profit of his own capital. The second, which may be called the cost of production to the consumer, or purchaser, consists of the sum of the sacrifices which must be made by the consumer, if, instead of purchasing, he produce for himself. The amount of the interval between these two extremes is one of the measures of the advantages derived from the division of labor. A good shoemaker can make a pair of shoes in a day; he could not make a coat in a fortnight. A good tailor can make three coats in a week; he could not make a pair of shoes in a month. So far as the price of a commodity is not affected by any natural or artificial monopoly, it coincides with the cost of production to the producer. Were it lower, he would cease to produce. Were it higher, his employment would afford more than average wages or profits; and rival producers would crowd into it, and undersell one another.

That this is true with respect to domestic commerce, is obvious; it appears to me obvious, that it is equally true with respect to international commerce. The English spinner sells his yarns to the French importer at precisely the price which he charges to his English customer. The French weaver sells his silks to the English importer at precisely the price which he charges to his French

customer. In many cases, neither the one nor the other knows for what market ⁴¹ he is producing, or to whom he is selling. He produces the quantity for which he expects to get a *remunerating price*—a price which will repay the cost of production; that is to say, the cost of the raw material, the interest and wear and tear of his machinery and other fixed capital, the wages of his workpeople, and a profit to himself at the current rate of the country, for the time which elapses between his advances and his returns. He sells to a broker, and seldom knows whether his product is to be consumed in England, or America, or France. But it may be said, what is it that decides what shall be the wages of the workpeople, which, in fact, appear to be the positive principle on which price depends, the other elements being mere ratios? Why are the wages of an English cotton spinner four ounces of silver a week, and those of a French cotton spinner only three? For precisely the same reason that an English cabinetmaker earns 6s. a day, and an English carpenter only 3s.—the comparative efficiency of their labor. The produce of the cabinetmaker's day's work is worth a little more than 6s., and therefore he gets 6s. The produce of the carpenter's day's work is worth only a little more than 3s., and therefore he gets only 3s. An English cotton spinner receives more silver for a day's work than a French cotton spinner, because he produces in a day a larger amount of yarn, and of better quality. The products of the labor and capital of all the French and all the English manufacturers are competitors in the general market of the world. The prices at which those products sell, determine the whole sum which is paid for the result of a given amount of the labor of each country—assisted by a given amount of its capital, advanced for a given time. The relative proportions in which labor and capital have concurred in the production, and the current rate of profit, determine in each country how much the price of each commodity is to go to the laborer, and how much to the capitalist. If this exceed average wages or profits, other capitalists or laborers crowd in; if it be less, the production is, in time, discontinued.

There is, in reality, no difference between the principles which regulate foreign, and those which regulate domestic exchanges. Why does a given sideboard sell in England for twenty guineas? Because the materials cost a sum which we will call four guineas, and the wages of the workmen fourteen, and the rent of the workshops and salerooms two guineas, making together twenty guineas; because this sum was advanced for two years, and because the

current rate of profit is ten per cent per annum. Why did the wages amount to fourteen guineas? Because two workmen were employed at two guineas a week each for three weeks and a half. Why were their wages two guineas a week? Because the efficiency of the labor of an average English laborer bears the same proportion to the efficiency of the labor of a cabinetmaker which the week's wages of an average English laborer—that is to say, the gold which his week's labor is worth in the general market of the world—bear to two guineas. If the value of the produce of English labor were to double in the market of the world—or, in other words, if the produce of the day's work of an average English laborer could purchase in the general market of the world twice as much gold as it can now—all other circumstances remaining unaltered, sideboards would double in price: if it were to fall, they would fall in the same proportion; and this although the supply continued the same. But if twice as many sideboards were required, they would not cost more a piece. If only one-half the number were required, they would not cost less. Indeed, under the operation of the general rule, that every increased supply of a manufactured commodity is produced at a less proportional expense, it is probable that twice as many sideboards would cost less than twenty guineas a piece; and only half that number more. So, if France habitually purchased from England twice as much yarn as she now takes, she would not buy at a dearer rate. If she habitually required only half as much, she would not get it cheaper. I say habitually, because a sudden and great alteration in the demand of France might, for a time, raise or depress wages or profits in the spinning trade, and thus affect the cost of production. But this effect must cease as soon as the capital and labor employed in the spinning yarn had been proportionally increased or diminished. And the probability is, that the price would then rise or fall in a direction opposite to that of the supply—a larger quantity selling at a cheaper rate, or a smaller quantity at a dearer.

But if France will take from us only half the yarns which we previously supplied to her, how are we to get the silk which we previously received in exchange for our yarns? If a butcher will take no physic from an apothecary, how is the apothecary to get meat? The services performed by coin in facilitating domestic interchange, are performed in international exchange by bullion; that is to say, by gold or silver, valued according to weight and fineness, not form;—a commodity which every nation possesses,

which every nation accepts, and which from its facility of transport, and the identity of the qualities of every portion of it, has [as we have seen] less peculiar local value than any other object of exchange.⁴² But would England suffer no inconvenience from the refusal of France to take more than half the yarns which she previously imported? Precisely the same inconvenience in kind which the apothecary suffers when the butcher, having been previously his patient, recovers. While the butcher was ill, the value of the drugs and of the meat, mutually supplied, may have been equal, and the apothecary may have paid for his meat without sending money. He must now send money. The amount of the inconvenience would depend partly on the proportion which the profit derived by him from the butcher's custom bore to his whole income; and partly on the facility with which he could devote, to the supply of other customers, the capital and labor previously employed in obtaining this profit from the butcher.

To a certain extent, the same causes decide what is the amount of inconvenience which the loss of a customer occasions to a nation. If the Isle of Wight were to lay prohibitory duties on all British commodities, the general prosperity of British commerce would be unaffected. If England were to prohibit the produce of the Isle of Wight, that island would be seriously injured. If all Europe were to do so, the island would be ruined. So the commerce of Britain would be seriously injured, if prohibitory duties should diminish by one-half her exports to America. She employs in supplying that hemisphere probably more than £40,000,000 of capital, and the labor of more than 400,000 families, and derives a profit of more than £4,000,000 a year. One-half of this great amount of capital and labor must now receive a different destination; and years might elapse before it could find new markets equally advantageous. But if Europe and America were to combine absolutely to exclude the produce of China, that vast empire would suffer no material loss. It is probable that the whole trade of China with Europe and America, does not employ one three-hundredth part of her population, or one thousandth part of her capital. The trade of Britain with America employs, at least, a twentieth part of her population, and at least a tenth part of her commercial and manufacturing capital.

There is, however, one difference between individuals and nations, when considered as producers and sellers, which materially affects the degree in which they are respectively affected by the conduct

of one another. An individual seldom produces more than one or two kinds of commodities—a nation can produce all the different raw products which are not denied to her by her soil or climate, and all the manufactured commodities of which she can import the materials. An individual, if the demand for his peculiar product is diminished, can seldom indemnify himself by directing his capital, his industry, and his skill, towards a different branch of production. If the demand for the drugs and services of the apothecary be diminished, he is not likely to better himself by turning farmer or manufacturer; but for that very reason he has to fear the competition⁴³ only of those who are engaged in the same business as himself. He is not afraid of being opposed by the butcher, or by the shoemaker. A nation can turn her capital, industry, or skill, towards an almost indefinite variety of employments. If one market, or one sort of exports, become less profitable, she can resort, probably not without immediate loss, but still she can resort to another; but, again, for that very reason she has a rival in every other member of the community of the commercial world. Her own customers are her competitors in her own markets, and in every third market.

As every nation, by excluding totally, or even partially, the products of a neighbor, diminishes her own productive power, she becomes a less formidable rival to the nation whose products she excludes. If France were to abolish her duties on British yarns and British iron, she would increase the demand for some kinds of British industry. On the other hand, the vast addition which the use of British iron and British yarn would make to the agricultural and manufacturing powers of France, would materially increase the productiveness of her industry. France is even now, perhaps, our most formidable rival in our best markets, and in some of the products in which we most excel—cotton goods, linens, and woollens. Is it certain that we should be gainers by the change? Is it certain that the demand for British industry would not be as much diminished in one quarter as it would be increased in another?

My own opinion is, that we *should* be gainers by the change. France would, in two different ways, become a better customer to us. In the first place, she would take more of our produce—she would enable us to direct more of our industry and capital towards the employments in which they are most successful. She would increase the productiveness of British industry; and at the same time, by coming in as an additional purchaser, raise the value of its

products in the general market of the world. She would be a greater bidder for our produce in the auction in which all commodities are sold. In the second place, her own industry in the production of the commodities which we import from her would be more productive. Though her laborers would be better paid, their labor would be more efficient, and the produce of a given amount of labor would be more abundant and better. France would purchase more British yarn and iron; and by the improvement in her industry, would be able, without loss, probably with a greater profit than before, to give for every cwt. of either, more cotton goods, silks, woolens, eggs, and wine, than she now gives. I believe that these advantages would more than compensate the inconvenience which we should suffer by finding her in every third market, and indeed in her own, a more powerful competitor. But I cannot believe that our gain would be clear.* ³⁰⁷

2. Commercial Restrictions and the International Division of Labor. It has been admitted from the time of Dr. Adam Smith, that the productiveness of labor depends on its division; and that the extent of that division depends on the extent of the market. It is admitted, too, that these principles apply as much to districts as to individuals, and to nations as to districts. No one has perceived this more clearly, or has explained it more fully, than Colonel Torrens in his earlier publications. In some respects indeed, and in some cases, *the territorial division of labor*,⁴⁴ to use a term which, I believe, was first applied to international commerce by Colonel Torrens, is more beneficial than even domestic interchange. It is obvious that the advantages derived from the increased productiveness of labor, are principally enjoyed by those who consume the commodities on which that labor is employed. Where the producer is himself a consumer, he obtains a double advantage. He profits by the additional supply both of his own commodities, and of those produced by others. If coals can be produced with half the labor which they previously cost, the collier, consuming largely himself what he produces, finds himself, at a less expense, better warmed than before. But an invention which should diminish by one-half the labor necessary to produce a given quantity of lace, would confer no permanent benefit on the lace makers. If the consequence were that the demand for lace were more than doubled, their wages might rise for a short interval; until the increase in the number of hands employed in their trade reduced its profits to the former level. If that demand were less than doubled, their wages might

fall until their numbers had been diminished; but when this disturbance was over, their wages would remain the same, and, as they consume no lace, they would then be entirely unaffected by the change. This is nearly the state of the bulk of the manufacturers of an opulent country. Each workman consumes no part, or a very trifling part, of what he produces, and profits almost exclusively by the improvements made by his neighbors.

A great nation, on the other hand, is almost always the principal consumer of its own products. Even of British cotton fabrics, the largest production of any single finished manufacture, and the largest export that the world has ever seen, the British Islands consume not only more than any other single country, but more than all the rest of Europe put together.

Again, the inhabitants of the same district enjoy nearly the same natural advantages. The benefits which they derive from the division of their labor arise almost exclusively from the use of machinery, and the increased dexterity and assiduity of each workman, as his field of operation is confined. International commerce adds the still greater benefits arising from varieties in soil and climate. When a Londoner buys his beer from a great brewery, instead of brewing it himself, he gains perhaps twenty per cent. But when he imports claret from Bordeaux, he gains 3,000 per cent. He might brew his own beer at a guinea a barrel instead of 16s. He could not make his own claret at ninety guineas a dozen instead of three. If an individual were to cover with glass one of the southern slopes of the Hampstead hills, and establish there a great manufactory of English sherry, we should be almost inclined to appoint a committee on his estate. When a government commits acts the same in kind, its conduct excites no surprise, and little blame. It seems almost a matter of course.

In many parts of the Continent where the climate resembles that of England, the British traveler is struck by a sort of cultivation which he never saw at home. The sunniest slopes, the richest bottoms, are covered by a bright green lettuce-like plant, on which more manure and more attention are bestowed than on any other product, except perhaps the vine. He finds that this is tobacco, and that in order to raise it at five times the cost of importing it, the best land is sacrificed in countries where there is not room for a hedge, and labor, where it cannot be obtained even to keep the communications between the villages passable. As he proceeds further eastward, he finds two great empires, each with a thin

population—with a vast extent of fertile and imperfectly reclaimed territory, with indefinite powers of increasing their agricultural and mineral wealth,—directing the whole energy of their governments to projects for forcing their boors and miners to become cotton spinners and weavers; and devoting to manufactures, which can be supported only by prohibitions mounted on prohibitions—by prohibiting the produce of the Zollverein, which itself can manufacture only by prohibiting the produce of Great Britain—the capital and the industry which are wanted for the ordinary trades of a civilized country.

It is a great mistake to suppose that a country which rejects the territorial division of labor, suffers merely by the greater dearness of the commodities which it is forced to produce instead of importing them. It incurs a further, and in many cases a greater, injury—in the general diminution of the efficiency of its own industry, occasioned by the misdirection of capital and the diminished division of labor. To what extent might not the agriculture of Austria be carried, if she would devote to roads and canals, and the improvement of the instruments of industry, the productive power which she is now wasting on mills and factories? But Joseph II, the founder of her commercial policy, belonged to the school of Colbert [and] the Emperor of China. He thought, that by restricting foreign trade he could bring money into the country, and resolved that his empire should no longer be tributary to foreigners.* 308

3. England's Industrial Supremacy and Her Commercial Code. The history and the prospects of the manufacturing industry of Great Britain, have long excited mixed feelings of pleasure and of pain, of pride and of regret, of satisfaction and of uneasiness, in all thinking minds. We have raised the value of British industry far beyond the value of that of any other European community. We have accumulated a capital far exceeding, both positively and in relation to our population, that of any other existing nation, or indeed of any nation whose history is known. Though struggling with a bad climate and a moderately fertile soil, that industry and that capital have made our land more valuable than any other country of equal extent. In no portion of Europe does the whole amount of wages bear so large a proportion to the whole number of laborers; or the whole amount of profit to the whole number of inhabitants; or the whole amount of rent to the whole cultivable area. So far as wealth has been our object, we have been successful beyond the dreams of avarice; and our success has not been obtained

by the sacrifice of present enjoyment. We have not grown rich by parsimony. The English—and they form the bulk of the population of Britain—are not a saving people. In every occupation and in every rank—among laborers, mechanics, shopkeepers, capitalists, and proprietors—there is a tendency to the display and the consumption of wealth little known on the Continent. The Government has been still more extravagant than its subjects; so that we have exhibited the strange spectacle of a nation rising rapidly to enormous wealth in the midst of profuse public and private expenditure.

But sacrifices we have made, and they are very serious ones, both as they affect our present happiness, and as they endanger, at no remote period, our future welfare; and we have diminished the advantages of our position, aggravated the difficulties which are necessarily incidental to it, and multiplied tenfold its dangers, by legislative errors which we are now beginning, I trust not too late, to rectify.

Some dangers, some difficulties, are, as I have said, incidental to our position. What they are will be best seen by comparing the state of our laboring population with that of the nations which surround us.

In every other portion of Europe, indeed in every other portion of the civilized world, the bulk of the free population are occupiers or proprietors of land; employing themselves partly in raising food for their own consumption, and partly in rough manufactures for their own use. The cottage of the French *Paysan* or of the German *Bauer*, is a much worse habitation than that of the English laborer—but it is his own. He feeds on the inferior vegetables, or on a bread which would be rejected by an English beggar—but they come from his own garden or his own field. His dress is coarse and ill-made—but his linen has perhaps been grown, spun, and woven in his own house; and his woolen garments are often the produce of his own sheep. He is not a diligent workman—but he is almost always working. He does nothing well—but a great many things tolerably. Both his labor and his skill are diffused, instead of being, like the Englishman's, concentrated. Such a population may be ill-fed, ill-clothed, and ill-lodged; but it is at least secure of employment. The only accidents to which it is subject, are the accidents of the seasons. Such a population necessarily acquires habits of economy and prudence. Every head of a family is to a certain degree a capitalist. He is accustomed to make present sacrifices for future objects: to reserve a portion of his crop for seed; and to

proportion the daily consumption of the remainder to the number of days that must elapse before the harvest recurs. The greatest of all improvidences, improvident marriage, is repressed, partly by the comparative unproductiveness of the labor of women and children—partly by the difficulty of procuring a house and land for a new family, except on the death of a previous occupant—partly by legal restrictions—and still more effectually by the customs which these different causes have produced.⁴⁵

Such a population has almost always a deep respect for property and for authority. Every man values highly his own small possessions, and reverences the law which protects them. And even if the law become oppressive instead of protective, a scattered peasantry have neither the knowledge, the habits, nor the opportunities, which would enable them to combine in resisting it. A tranquil, unadvancing, indolent, but frugal and contented poverty, with little to hope, but still less to fear, is the state of the great mass of the inhabitants of continental Europe.

On the other hand, in Britain, particularly in England, the very large majority of the population consists of laborers hired by the week or by the day, dependent for subsistence solely on their wages, and for their wages solely on the will of their master. Both the skill and the diligence of the British workman are unrivaled; hence, when these admirable qualities are well directed, the high value of his labor, and the large amount of his wages. But the skill and diligence of each individual can be applied to only a few purposes, and are useful only under numerous and complicated conditions. The continental workman may in general be compared to the tools which he uses—his ax or his spade,—an instrument of no great efficiency, but always fit for independent use. The British workmen, and more especially the most numerous classes, those employed in manufactures, resemble the component parts of the vast machines which they direct. Separately taken, they are as useless as a single wheel or a single roller. Combined with many hundreds or many thousands of others, each helpless when alone, a hundred families can produce results which could not have been obtained by the individual labor of a thousand. But the instant the moving power that animates one of these great bodies ceases to act—the instant the engine ceases to be supplied with water, or the factory with capital—the component parts lose their mutual support, and, with that support, their value. The engine becomes old iron, the spinners and weavers become paupers.

It might be supposed, that classes exposed to such contingencies, would save in their prosperity a fund to support them in adversity.⁴⁶ But such is not the habit of the English. They have not been accustomed, like their continental rivals, to treat their earnings as the means of further production, or even of future support. When wages are high, they work fewer hours and inhabit better houses; and, if there still remain a superfluity, the women and girls waste it in dress, and the men in drink or luxurious living. When wages fall, they endeavor to increase their earnings by more assiduous labor, and to economize, first in house rent, then in dress, then in fuel, and ultimately in food. When their earnings become insufficient for a maintenance, they throw themselves on the parish. The virtue which they possess the least is providence.⁴⁷

I have already remarked, that the greatest of all improvidences is improvident marriage. But among many classes, perhaps among most classes, of mere laborers, although it may be clear that the usual period of marriage is far too early, and that the welfare of the whole body would be much promoted if that period were generally retarded, it is difficult to say that any given marriage is improvident. The great object of machinery is to supply strength and skill; its great triumph is to render the labor of women and children as efficient as that of men; and in many extensive branches of manufacture this has been effected. A girl of eighteen can attend to a power loom as well as a full-grown man; a child of thirteen is more valuable as a piecer than an adult—its touch is more sensitive, and its sight is more acute. A factory lad of eighteen who marries a factory girl of the same age, finds himself immediately richer; and although he may be pinched during some of the following years, yet as each child attains the age of nine years it can earn more than its support; and the earnings of three children between the ages of nine and sixteen can, in prosperous times, support the whole family.

It was under the influence of this enormous stimulus, with some assistance from immigration, that the population of our manufacturing districts increased during the thirty years that elapsed between 1801 and 1831—the last period for which the returns are published—at a rate equaled only in some portions of America. During the ten years between 1801 and 1811, the population of Lancashire increased at the rate of 23 per cent; during the next ten years at the rate of 27 per cent; and during the last ten years also at the rate of 27 per cent. That of Lanark increased at the rate of 31 per cent in the first period; of 27 per cent in the second;

and of 30 per cent in the third. At the beginning of that period, in 1801, the two most populous counties in Scotland were Lanark and Perth; the former containing 146,000 inhabitants, the latter 126,000. At the end of the period, in 1831, Lanark contained 316,000, and Perth only 142,000. While the population of the manufacturing county increased at the rate of more than 100 per cent, that of the agricultural district increased at the rate of less than 14 per cent. During the same period, the population of the North Riding of Yorkshire, a district chiefly agricultural, rose from 158,000 to 190,000; that of the West Riding, a manufacturing district, from 565,000 to 976,000.

It is scarcely necessary to remark how much the habits which I have described, must aggravate the sufferings incident to any serious interruption of our manufactures. The millions whom we have crowded into densely-peopled districts, are accustomed not merely to prosperity, but to constantly advancing prosperity. All their calculations assume a constantly increasing demand for labor—a demand which shall absorb a supply quite unrestrained by any prudential checks. A painful question follows, as to the temper and the conduct which may be expected from them under a reversed state of circumstances.⁴⁸ If the demand for British manufactures, instead of increasing, should diminish; if the new swarm of candidates which every year throws into the labor market should be rejected; if the employment of all should become precarious; if many establishments should be discontinued, and others give work only for three or four days a week; if the wages for this diminished and irregular work should themselves be diminished; if a family, accustomed to earn forty shillings a week, and to a proportionate expenditure, should fall to an income of nine or ten shillings, and no prospect of improvement were afforded—what, I repeat, is the temper and the conduct to be expected from the sufferers? Are they likely to treat these evils as mere calamities, or as injuries? If as injuries, are their habits likely to induce them to patience, or to attempts at redress, or resistance? If patience is not to be expected from them, are their struggles likely to be formidable?

I fear that, to every one of these questions, I must give an alarming answer.

If the commercial policy of the British legislature had been prudent, or barely impartial; if our rulers had been wise enough to know, that in a state of freedom industry will spontaneously take the most productive course; or just enough to feel, that interference in favor

of one class of producers, or one class of proprietors, to the injury of any other class, or of the community in general, is injustice, even if it be not folly; if, in pursuance of these principles, they had allowed every man to exert himself in the mode which he thought most advantageous, the government might have to deplore the misfortunes of trade, but could not be held responsible for them. Or if it had been guilty of interference, but had interfered only from ignorance; if errors of judgment had been the only errors of which it could be accused; if the members of the legislature could not be charged with direct selfishness; if they could not be accused of legislating, at the expense of the public, for the benefit, or supposed benefit, of the class to which they belong, though the detection of their mistakes might lower them in public estimation, it would not occasion public resentment.

It is scarcely necessary to state at length how far each of these assumptions is from the truth.

For centuries, the government has labored to fetter and misdirect the industry of the people. Instead of confining itself to its true task of defending its subjects from foreign and domestic violence and fraud, it has taken on itself the task of rendering them, or of rendering certain classes of them, rich. It has dictated to them what they shall produce, and to whom they shall sell, and what they shall purchase, and to what markets they shall resort. It has considered the whole body of consumers as a prey to be sacrificed to any class, or to any section of a class, that chose to ask for a monopoly. And when one class has complained of the privileges granted to another, it has bribed it into acquiescence by allowing it to inflict a further injustice on the public. In order to benefit the class engaged in exporting supplies to the colonies, it prohibits or restricts the direct trade between the colonies and foreign countries. In order to induce the colonies to submit to these prohibitions and restrictions, it prohibits or restricts the importation into the British Islands of foreign colonial commodities, the public suffering by each set of rules: first, by being confined to the market of the British colonies; and secondly, by those colonies being stunted, and that market rendered still more unfavorable by the restrictions laid on the colonies.⁴⁹ To benefit the lumberers of Canada, and the owners of some old vessels fit only for the American timber trade, it imposes duties from 500 to 100 per cent on the best timber, because it is the cheapest—duties not only not productive, but positively injurious to the revenue. To reconcile the shipowners to the addi-

tional expense of about 15 per cent thus imposed on British ship-building, it imposes higher duties on the same commodities when imported in a foreign than in a British ship. To benefit the British tanner, it subjects foreign tanned leather to a prohibitory duty; and it purchases the silence of the manufacturers who use leather for their material, by imposing prohibitory duties on almost every foreign commodity, of which leather forms a part. The favorites, of course, of the legislature, have been the landowners—the class to which they themselves belong. The importation of cattle, sheep, swine, beef, lamb, mutton, and pork, they absolutely prohibit; and on grain, they impose duties which, on an average, raise the price of bread 20 per cent;—which cramp our trade, which convert our customers into our rivals, which lower wages, and, what is perhaps a still greater evil in a society constituted as ours is, render employment uncertain.

If this has been the conduct of the rulers of this country, I repeat the question, what is likely to be the conduct of their subjects if such a reverse as I have alluded to should occur? When they are told, and told with truth, that the government has ventured to assume the direction of manufactures and trade; when they are told, and truly told, that it has used this monstrous usurpation for the benefit, or the supposed benefit, not of the many, but of the few; ⁵⁰ when they find, that of all the monopolies which it has conferred, that which it enforces most rigidly, and maintains most pertinaciously, is the monopoly of food; when they find, that this is the monopoly which inflicts on them the most suffering, and gives, or is intended to give, to the governing class the greatest immediate profit—are they likely to endure it as a misfortune or to resent it as an injury? If they resent it, I repeat, what form is their resentment likely to take—sulky submission, or fierce struggles for redress? and, in the latter alternative, to what degree are they formidable?

These questions scarcely require an answer. The manufacturing population of Great Britain consists of many millions of persons concentrated in towns, or in districts as populous as towns, accustomed to political discussions; with their own leaders and their own press; organized in combinations, with executive, deliberative, and corresponding officers; with funds for the separate purposes of each distinct society, and for the general purposes of the united societies; and trained by a long and successful contest against the combination laws, to elude or to defy the authority of the state. Such a population is formidable even in prosperity; it would become doubly

formidable in adversity, even though that adversity arose from causes involving no blame to the government. But if it were miserable, and could trace its misery directly to the legislature; if it could accuse the governing body, not of error, but of oppression and robbery; if it felt itself sacrificed to the rents of landlords, and to the profits of sugar planters and timber merchants—what limits can we assign to its passions or to its violence? Are we sure that our wealth, our political greatness, or even our constitution, would come out safely from such a struggle?

At the conclusion of the [Napoleonic] war, we possessed a commercial and manufacturing supremacy which no other nation has ever attained. Positively, indeed, neither our trade nor our industry were nearly as extensive as they are now; nor was it possible that they should be so when our population did not exceed two-thirds of its present amount. But relatively to other nations they were much greater. We had enjoyed internal peace while every country in Europe had been laid waste by war, and every capital had been held by an enemy. We had become the workshop of the world, and the rest of the world seemed willing to continue a relation from which it benefited as much as ourselves. But for this purpose our own consent was necessary. If we wished to sell, we must buy; if we wished to increase our sales in proportion to our increasing population, we must increase our purchases in the same proportion. Our first act was to establish a corn law. I say to *establish* a corn⁵¹ law; for that which previously existed had, from the altered value of money, become nominal.

By the memorable law of 1815, the law to which our subsequent calamities and our present dangers may be traced, the importation of wheat was absolutely prohibited when it was under the famine price of 80s. a quarter. Butcher's meat we absolutely prohibited, whatever might be its price. Next to meat and bread—indeed, in as far as the majority of our population is concerned, next to bread—the most important article of food is sugar. We imposed on all foreign sugar prohibitory duties. The north of Europe, then the great market of our manufactures, and within a week's sail from our shores, sold to us the best timber and at the cheapest rate; the Canadas, a distant, thinly-peopled country, offered us timber almost worthless for building purposes, and at a much higher price. By imposing differential duties, rising from 100 to 500 per cent, we forced the community to resort to the bad customer instead of the good one—to use the distant market instead of the near one—to

take the inferior instead of the superior commodity, and to pay for it a larger price. We repealed in words most of our prohibitions, except where food was concerned; but still subjected foreign manufactures to duties scarcely ever falling below 20 per cent on their value—that is, on their value here; all expenses of commission and conveyance being added to their original cost, and generally rising above that extravagant rate.

It is difficult to say what would have been the whole effects of these regulations, if foreign nations had submitted to them. That they must have been highly mischievous, is indeed obvious. As every regular trade is a trade of barter—as everything that we regularly import is, in fact, received in exchange for British manufactures which we export—every obstacle to importation must be an obstacle to exportation. Every diminution of demand for foreign commodities, must be a diminution of demand for the British commodities with which the foreign commodities would have been purchased. They must therefore, under any circumstances, have retarded the growth of our manufactures and commerce. Still, if we had been able to force foreign nations to take our commodities, and to pay for them in the forms which we chose to approve, our condition, though far less favorable than it would have been under a system of free trade, would still have been safe. But for this purpose we must have been able to apply to them the treatment which drove our North American colonies to resistance and separation. We must have been able to prohibit them from manufacturing for themselves, or from trading with any manufacturing country except ourselves. To do this was quite in the spirit of our commercial policy; but, luckily for the rest of the world, we had not the power. The agriculturists whose produce we rejected, of course turned their surplus labor and their surplus capital towards manufactures. “You taxed us,” said a New-Englander, “into independence, you fought us into a maritime power, and you now enact that we shall be manufacturers.”

The new interests which our folly had created, followed our example where we were wrong more eagerly than where we were right. They saw that our industry had flourished in the midst of prohibitions and restrictions, and they believed that it had flourished in consequence of them. To these fetters they gave the name of protection, and called on their governments to impose them. Their governments, with the instinctive love of regulation and restraint by which every government is infested, were ready enough to answer

the call. In one country indeed, whose staple produce, since it interfered with no class interest of our own, we freely admitted, those who benefited by our commerce resisted the alteration. The southern Anglo-American states, whose cotton and tobacco we consent to receive, would have separated from the Union if the Anti-British tariff of 1828 had been persisted in; and if we had continued to receive the flour of the northern states, that tariff would never have been imposed. But we deserved no such support from any European people. Foreign legislatures could lay no duties on our products, they could impose no restrictions on our commerce, which they could not justify, and more than justify, by our own example. A network of tariffs is gradually excluding us from our nearest and natural customers—our European neighbors; and confining us to our own colonies and dependencies—to the semi-barbarians of Africa and Asia, and to the young communities of America.* 309

CHAPTER IV

COLONIAL TRADE AND THE GROWTH OF SLAVERY

1. *Adam Smith's Misconception of the Colonial System of Trade.*
2. *The Twofold Evils of the Old Colonial Policy.*
3. *Origin of the African Slave Trade.*
4. *The Suppression of the Foreign Slave Trade.*
5. *Whitney's Cotton Gin and the Spread of Slavery in America.*

1. **Adam Smith's Misconception of the Colonial System of Trade.** [In an earlier chapter ⁵² I called attention to the phenomenal increase in the stream of emigration from the British Islands to the United States and our various colonial possessions.] It is remarkable that Adam Smith, with all his sagacity did not foresee this result of colonization. The whole advantage derived by Europe from her colonies appeared to him to consist of the new materials and commodities with which they supply her. Cotton affords a much cheaper clothing than linen or wool, and for many purposes a more agreeable one. Sugar is a better condiment than honey, and tobacco, from the universality of its use appears to be the most grateful of stimulants. For these and for many other articles scarcely inferior in utility we are indebted to America. And this he believed to be all for which we are indebted to her. Under a system of colonial free trade in which the dominant country allows her dependencies direct intercourse with the rest of the world, these advantages are universally accessible. The sugar of Cuba and the coffee of Java come to the London market as cheaply as they do to Cadiz or Amsterdam. This however is a recent innovation. At the time when Adam Smith wrote, every colonizing nation endeavored to establish between its colonies and itself a double monopoly, to prevent them from either selling or purchasing in any market but her own.

To found a great empire (he says) for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers. Such statesmen, and such statesmen only,

are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens, to found and maintain such an empire. Say to a shopkeeper, buy me a good estate and I shall always buy my clothes at your shop, even though I should pay somewhat dearer than what I can have them for at other shops; and you will not find him very forward to embrace your proposal. But should any other person buy you such an estate, the shopkeeper will be much obliged to your benefactor if he enjoin you to buy your clothes at his shop. England purchased for some of her subjects, who found themselves uneasy at home, a great estate in a distant country. The price, indeed, was very small; instead of thirty-years purchase it amounted to little more than the expense of the different equipments which made the first discovery, reconnoitred the coast, and took a fictitious possession of the country. The land was good and of great extent, and the cultivators having plenty of good ground to work upon, and being for some time at liberty to sell their produce where they pleased, became in the course of little more than thirty or forty years (between 1620 and 1660) so numerous and thriving a people that the shopkeepers and other traders of England wished to secure to themselves the monopoly of their custom. Without pretending, therefore, that they had paid any part either of the original purchase-money, or of the subsequent expense of improvement, they petitioned Parliament that the cultivators of America might for the future be confined to their shop: first, for buying all the goods which they wanted from Europe; and, secondly, for selling all such parts of their own produce as those traders might find it convenient to buy. For they did not find it convenient to buy every part of it. Some parts of it imported into England might have interfered with some of the trades which they themselves carried on at home. Those particular parts of it, therefore, they were willing that the colonists should sell where they could—the farther off the better; and upon that account proposed that their market should be confined to the countries south of Cape Finisterre. A clause in the famous act of navigation established this truly shopkeeper proposal into a law.

The maintenance of this monopoly has hitherto been the principal, or more properly, perhaps, the sole end and purpose of the dominion which Great Britain assumes over her colonies. In the exclusive trade, it is supposed, consists the great advantage of provinces, which have never yet afforded either revenue or military force for the support of the civil government or the defense of the mother country. The monopoly is the principal badge of their dependency, and it is the sole fruit which has hitherto been gathered from that dependency. Whatever expense Great Britain has hitherto laid out in maintaining this dependency, has really been laid out in order to support this monopoly.

This monopoly (he states in an earlier portion of the same chapter ⁵³)

has necessarily contributed to keep up the rate of profit in all the different branches of British trade higher than it naturally would have been, had all nations been allowed a free trade to the British colonies.

The monopoly of the colony trade, as it necessarily drew towards that trade a greater proportion of the capital of Great Britain than what would have gone to it of its own accord; so by the expulsion of all foreign capitals, it necessarily reduced the whole quantity of capital employed in that trade below what it naturally would have been in the case of a free trade. But, by lessening the competition of capitals in that branch of trade, it necessarily raised the rate of profit in that branch. By lessening, too, the competition of British capitals in all other branches of trade, it necessarily raised the rate of British profit in all those other branches. Whatever may have been, at any particular period, since the establishment of the act of navigation, the state or extent of the mercantile capital of Great Britain, the monopoly of the colony trade must, during the continuance of that state, have raised the ordinary rate of British profit higher than it otherwise would have been, both in that and in all the other branches of British trade. If, since the establishment of the act of navigation, the ordinary rate of British profit has fallen considerably, as it certainly has, it must have fallen still lower had not the monopoly established by that act contributed to keep it up.

But whatever raises in any country the ordinary rate of profit higher than it otherwise would be, necessarily subjects that country both to an absolute and to a relative disadvantage in every branch of trade of which she has not the monopoly.

It subjects her to an absolute disadvantage; because in such branches of trade her merchants cannot get this greater profit without selling dearer than they otherwise would do, both the goods of foreign countries, which they import into their own, and the goods of their own country which they export to foreign countries. Their own country must both buy dearer, and sell dearer; must both buy less, and sell less; must both enjoy less and produce less than she otherwise would do.

It subjects her to a relative disadvantage; because in such branches of trade it sets other countries which are not subject to the same absolute disadvantage, either more above or less below her than they otherwise would be. It enables them both to enjoy more and to produce more in proportion to what she enjoys and produces. It renders their superiority greater or their inferiority less than it otherwise would be. By raising the price of her produce above what it otherwise would be, it enables the merchants of other countries to undersell her in foreign markets, and thereby to jostle her out of almost all these branches of trade of which she has not the monopoly.

Our merchants frequently complain of the high wages of British labor as the cause of their manufactures being undersold in foreign markets,

but they are silent about the high profits of stock. They complain of the extravagant gain of other people, but they say nothing of their own. The high profits of British stock however, may contribute towards raising the price of British manufactures, in many cases as much, and in some perhaps more, than the high wages of British labor.

This is perhaps the most objectionable passage in the whole of Adam Smith's great work. A high rate of profit may indeed arise from mischievous causes. It may be occasioned, as was the case in England during the late war,⁵⁴ by a rapid destruction of capital, or, as is the case in ill-governed countries by insecurity, or, as is the case in semibarbarous ones, by deficiency of abstinence or providence; but in itself, apart from its causes, it is a good. The proportion of the amount of capital to the number of laborers being given, the higher the rate of profit, the greater always are the power and the stimulus to accumulate, and the greater usually is the productiveness of labor.

In fact it must have been because labor employed in the colonial trade produced an unusually large return that it gave an unusually large profit. After giving to the laborer average wages there remained an unusually large surplus for the capitalist. Of course this attracted into the colonial trade capital from other trades; but as it attracted laborers also, and therefore left the proportion of laborers to capital unaltered, this did not lower the wages of labor. If it raised, as Adam Smith thinks that it did, the profits of capital, it must have raised them by occasioning the capital in other trades to be more productively employed than before. And it must have effected this by occasioning capital to be withdrawn from the least productive branches of every trade. When circulating capital increases without a proportional increase in the field for employing it, the capitalist is forced to devote it to less and less productive purposes: just as when the great trunk lines of railroad had been completed the companies which followed were satisfied with making branches. So when the field for employing labor increases, without a proportional increase of capital, undertakings which in a less prosperous state of industry would have been prosecuted are neglected. No one is satisfied with five per cent if with equal safety he can get six.

When Adam Smith reckons among the evils of a high rate of profits the disadvantage to which it subjects a country in its general commerce, he is guilty of the error of his adversaries, the mercantile

theorists, and forgets the end in the means. The end of commerce is profit, and it would be as absurd in a nation as it would be in an individual to complain that in consequence of the high profit which he gets in one trade he is forced to abandon others.* ³¹⁰

2. The Twofold Evils of the Old Colonial Policy. The real objections to our colonial system were two:—First, that by confining the colonies to our own markets, both for sale and for purchase, we retarded their progress in population and wealth. Secondly, that by confining ourselves to their market for the purchase of the commodities which they could supply, or, in other words, by giving to them the monopoly of our market, we diminished our own enjoyments and retarded the progress of our own wealth and population. Of these two evils the first was the more important at the beginning of the system, the second at its termination.

During the eighteenth century a restrictive colonial system was adopted by the whole European world. Many dominant countries, and among them those possessing the most extensive and richest dependencies—Spain, Portugal, and Holland—excluded foreigners from all intercourse with their colonies; and those which allowed it, allowed it on disadvantageous terms. The people of England therefore did not really suffer by the monopoly which they gave to their colonies, since even if our laws had allowed the products of foreign colonies to enter our ports, the laws of those colonies would have prevented their being sent to us. To which it must be added that in consequence of our superior capital and skill, the produce of our own colonies was generally cheapest and most abundant. If the whole world had been open to us we should still have gone to Virginia for tobacco and to Barbados and Jamaica for sugar.

On the other hand, we had not then acquired our manufacturing and commercial superiority. The great instrument of British production, the steam engine, existed merely as a pump. Of the two great materials of modern British industry, cotton and iron, the former was scarcely known, and the latter was imported. France, Germany, Holland, and Italy were superior to us in most of the finer manufactures. The confining the colonies therefore to our market was a serious injury to them. They must often have sold less advantageously than if they had been allowed to choose their customers. They must often have purchased less advantageously than if they had been allowed to choose their tradesmen. If we compare the comparatively slow growth of our old North American colonies before their independence, with their marvelous subsequent ex-

pansion we may estimate the influence of commercial restrictions on countries in every other respect well governed.

The evils however which our restrictive system inflicted on the colonies gradually diminished before that system was abandoned. The vast and rapid increase of British wealth which followed the discoveries of Arkwright and Watt, rendered our ports the best markets for the sale of their produce; and, as to the great bulk of manufactured articles, the best sources of supply. At the same time, the monopolies which we granted to them began to press on us very heavily.

During the last sixty years ⁵⁵ our population has much more than doubled; we have become exporters of manufactures and importers of raw produce. The wars in which we were engaged during the latter part of the eighteenth and the beginning of the nineteenth century, the careless prodigality of their expenditure and the reckless improvidence with which that expenditure was supplied, loaded us with an amount of debt such as no other nation has ever supported. Our chief resource for payment of the interest of this debt (repayment of the principal has long been abandoned) are our duties on importation. With respect to every article of import there is an amount of duty, to be ascertained only by experience, which affords the largest revenue. There is also a point at which the inconvenience suffered by the consumer bears the smallest proportion to the advantage derived by the revenue. As to some commodities such as tobacco, spirits, and other generally noxious stimulants these two points correspond. As the diminution of consumption is rather beneficial than injurious, the duty may be raised until the increase of its amount ceases to produce an increase of revenue. In others, such as cotton, timber, and sugar every diminution of consumption is a great evil. A diminution of the use of cotton would ruin our staple manufacture, the dearness of timber is one of the principal causes of the insufficient houseroom afforded to our laboring population, and of the ill-health and immorality which that want produces; every addition to the price of sugar deprives thousands, perhaps millions of the wholesomest and most agreeable of condiments. From cotton therefore we wisely refuse to raise any revenue whatever; and if our necessities force us to tax timber and sugar, we must consider not what amount of duty will raise the largest sum, but what amount can be borne without materially affecting consumption.

In all revenue questions however one proposition is absolutely

and universally true, namely, that if duties different in amount are imposed on similar commodities, one or the other must be wrong. Now in order to give to the colonies a monopoly, or an approach to monopoly in our markets this was the system which we adopted. In Mr. Porter's evidence given to the House of Commons Committee on import duties on the 31st July, 1840, we have a list of the commodities then charged with differential duties when imported from foreign countries and from British possessions. The difference in few cases amounts to less than 100 per cent, and often rises to more than 1,000 per cent. [The following are] a few of the items:

<i>Commodity</i>	<i>Unit</i>	<i>Duty per Unit</i>			
		<i>Foreign</i>		<i>Colonial</i>	
		£	s.	d.	£ s. d.
Cocoa	lb.			6	2
Coffee	lb.		1	3	6
Copper	cwt.	12			1
Hides	cwt.	2	4		1 2
Oil (from seeds)	ton	39	18		1
Pitch	ton		10		9
Rice	cwt.		15		1
Soap	cwt.	4	10		1 8
Sugar	cwt.	3	3		1 4
Tallow	cwt.		3	2	1
Timber	load	2	15		10

Monstrous as this system must appear to all impartial observers, it lasted in full vigor till within a few years ago. The unsuccessful attempt to mitigate it made by Lord Melbourne's administration in 1841 turned them out. After a short interval, Sir Robert Peel to a certain extent followed the example of his immediate predecessor and diminished some of the most extravagant discrepancies between the two sets of duties. He introduced however new ones and on the whole left the system apparently more established than he found it.

The first tariff in which differential duties were frankly abandoned in principle, though to a certain extent retained in practice, was the Whig tariff of 1846. Under that tariff the differential duty on sugar which Sir R. Peel had left at about 100 per cent was gradually reduced until, in 1854, it will expire. At the end of the third year, when the difference had fallen to 50 per cent, the consumption of sugar had increased by one-half, that is, from 206,472 tons in 1844 to 308,131 tons in 1848; the revenue had increased by above a million and the retail price had fallen at least 25 per cent.

A more conclusive proof of the evils which our old colonial system inflicted on the country cannot be wanted.* ³¹¹

3. Origin of the African Slave Trade. [I shall now consider very briefly an important by-product of the Colonial System of trade, namely, the introduction of slavery on the American continent.]

There is no part of our history which throws so much discredit on our morality at one period, and our ability at another, as our conduct with respect to the slave trade. For more than two hundred years we were the most active and most extensive slave traders in the maritime world. We peopled, not only our own plantations with slaves, but those of the rest of Europe. We reserved to ourselves by treaty, the privilege of carrying negroes to Spanish America. During periods of war, we cut off, indeed, the supply from the colonies of the enemy while the enemy retained them; but it was only to renew it, in an increased ratio, as we conquered them. The slave trade was actually at one time imposed by England on some of her dependencies. The local governments of more than one of them passed bills for its abolition, to which the home government refused its assent. In vain did the Jamaica legislature remonstrate against the traffic. We treated them as theorists who did not know what was good for themselves, or for their colony, or for us. The influence of class interests was still stronger in the venal parliaments of the last century, than it is now. The shipowners, whose vessels had been built or fitted for that peculiar trade; the manufacturers, whose goods were adapted only to the African markets; the merchants and the proprietors connected with Demarara, Trinidad, and the other fertile and thinly-peopled districts which we had wrested from Holland and Spain—all maintained that the slave trade was the great field for shipbuilding; the great nursery of seamen; the great outlet of manufactures, and in fact the great source of our prosperity.* ³¹²

Slavery is a status so repugnant to the principles of Christianity, that, though never formally abolished, it gradually died out, as, with the diffusion of knowledge and the improvement of intelligence, the spirit of our religion was better understood, and its precepts were better obeyed. By the beginning of the fifteenth century, it was practically extinct in the civilized portions of Europe. Its revival is one of the crimes of religious intolerance. At that time orthodoxy was supposed to be essential to salvation. The Church of Rome condemned to eternal damnation, as indeed she does now, all whose

faith on any point, however practically unimportant, however purely speculative, however unintelligible, differed from the creed which she thought fit to proclaim. The Reformers followed her example. Each sect believed those, whose opinions varied from its own, worthy of the severest punishment which can be inflicted in this world, and destined to perpetual suffering in the other. The strongest term of reproach and antipathy in the English language, the word in which abhorrence and contempt are concentrated, is *miscreant*—that is to say, a person whose religious belief differs from that of the speaker.

When such was the sentence which each sect passed on its fellow Christians,—on men who agreed with them as to the precepts of Revelation, and differed from them only as to the essence of the Being from whom it was derived, or as to the nature of His relations to mankind,—of course they were not more merciful to infidels. The Roman Catholic, who condemned a Protestant to be burnt alive here, and to be tormented for never-ending millions of years hereafter, had indeed nothing worse in store for the follower of Mahomet or of Menu. The difference seems to have been that they hated most the heretics and despised most the heathens. The former they treated as rebels, the latter as enemies. They believed the deities of Paganism to be real existences, to be devils in a state of permanent war with our Creator and Savior, and their worshippers, therefore, to be the allies and auxiliaries of the enemies of God and of his people. They felt for them no more sympathy than we do for wolves or for tigers; in fact, they felt less, for, though we delight in killing a tiger, we have no pleasure in torturing one.

When it occurred, therefore, to the Spaniards, that the tropical regions of the new hemisphere, which were then mortal to the white laborer, might perhaps be profitably cultivated by seizing negroes in Africa, and transporting them to America, the cruelty or the injustice of thus treating the negro was not an element in the deliberation. He was a heathen, a worshiper of devils, a vessel of wrath, created for the purpose of enduring eternal misery, and to give him a foretaste in this world of what was to be his fate in the next, was only carrying out the decrees of Providence. The experiment was tried and succeeded. The English and the Dutch followed in this respect, as in her other colonial follies and enormities, the example of Spain. They were at that time the wisest and the most religious nations of the world. One of them had just conquered her independence and her freedom, the other was preparing for the

long contest which ended in the British Constitution; but they had no more scruples about enslaving heathens than they had about enslaving horses.

These opinions, however, though they enabled the British settler to kidnap or purchase, and work to death, without compunction, the natives of Africa, did not justify retaining in servitude their children born in Barbados or Virginia, whom it was obviously his duty to educate as Christians, and, therefore, as equals in the sight of God to himself.

Another prejudice came to the aid of the planter's cupidity, and enabled him, as he thought, to reconcile his interests and his religion. The Bible was at that time considered by all, as it is now by many, as a single book, every word of which had been dictated by God. Little distinction was made between what Moses was forced by the hardness of his countrymen's hearts to tolerate, and what was a moral rule of general and eternal obligation. The laws which we now perceive to have been temporarily laid down for the guidance of semibarbarians living under a theocracy, were then supposed to be also addressed to the fellow countrymen and contemporaries of Bacon and Milton. Some of the New England States extracted from Exodus, Leviticus, and Deuteronomy, their municipal code, and fancied that they thus obtained institutions wiser than any that man could invent. Among these institutions was domestic slavery; palliated indeed in some respects when the slave was a Hebrew, but in others carried to its worst abuses.

If thou buy an Hebrew servant (says the Book of Exodus) six years shall he serve, and the seventh he shall go free for nothing. If his master have given him a wife, and she have borne him sons or daughters, the wife and her children shall be her master's, and he shall go out by himself. And if a man sell his daughter to be a maid servant, she shall not go out as the men servants do. If a man smite his servant or his maid with a rod, and he die under his hand, he shall be surely punished. Notwithstanding, if he continue a day or two, he shall not be punished: for he is his money.⁵⁶

Of the heathen that are round about you (says the Book of Leviticus) shall ye buy bond men and bond maids. Moreover, of the children of the strangers that do sojourn among you, of them shall ye buy, and of their families which they begat in your land, and they shall be your possession. And ye shall take them as an inheritance for your children after you, to inherit them for a possession; they shall be your bond men forever.⁵⁷

It is impossible to deny ⁵⁸ that the law of Moses tolerated domestic slavery, that it tolerated the separation of families, and that it punished beating a slave to death only if he or she died under the infliction, or within a day or two after it.

Defoe was a man of eminent piety. He carries his hero, Colonel Jack, to Virginia, and leads him through all the gradations of colonial life from the state of a servant to that of an owner of slaves and plantations. He dwells on the wickedness of ill-treating slaves, but does not seem to have suspected that there could be anything wrong in buying, or keeping, or selling them.* ³¹³

4. The Suppression of the Foreign Slave Trade. At length, attention to [the] horrors [of slavery] was forced on the public.* ³¹⁴ One hundred and fifty years of peace and good government humanized and enlightened the stern bigoted Puritans and Catholics of our Western empire. The children of its aristocracy came to England for education; they came to a country which boasted that its air could be breathed only by freemen. When they traveled on the Continent, they found slavery confined to its semibarbarous districts, to its Slavonic and Asiatic populations,—to Russia, Poland, and Turkey. They were told everywhere, and they must have felt it to be true, that the relation of master and slave was mischievous to both parties: hardening the heart, worrying the temper, and weakening the self-control of the one; and degrading the other into a brute, with all the vices of a man, and few virtues except the abject submission and unreasoning affectionateness of a dog. The opinion grew that such an institution, though it might be Judaic, could scarcely be Christian, and by the time that the American colonies had achieved their independence, nearly all their great men had become earnest abolitionists.* ³¹⁵

We [ourselves] first regulated the trade: we restricted the number of prisoners who might be lawfully contained within the hold of a vessel of a given tonnage; and we required a given space between her decks. In 1792, the House of Commons resolved that the trade should cease in 1796—but when that time approached, in 1795, it refused to give any effect to that resolution. And there is no reason to believe that, if the Tory government had been uninterrupted, the trade would ever have been discontinued. What the Whigs in opposition, aided by Mr. Pitt, could not effect, they would scarcely have effected, if still in opposition, after his death. In 1806, however, they had a brief interval of office—the English slave trade was declared unlawful; and the prohibition was supported

by measures so well devised and so honestly executed, as to have effected its extirpation.

In the same year it was declared unlawful by the United States of America.

The progress of public opinion, when no longer blinded by interest, was rapid. Up to 1806, we had thought it right to be slave traders ourselves. Eight years after, in 1814, we believed it, and most truly, to be our duty to endeavor to prevent the slave trade from being exercised by any other nation. In that year we engaged with France to act together at the Congress of Vienna, in order to induce all the powers of Christendom to pronounce its universal and definitive abolition. In 1815, we agreed with the United States of America to unite our efforts for that purpose; and in the same year, we obtained from the powers constituting the Congress of Vienna a declaration

of their desire to concur, by every means in their power, in the most prompt and effectual execution of this measure: leaving it, however, to each separate power to judge how and when it should be effected.

Slowly and painfully, by negotiation or by purchase, we have prevailed on every maritime power to prohibit the trade. But mere prohibition is nothing, unless enforced by vigorous measures of repression; and among these measures one of the most effectual is an extensive maritime police, to watch the extensive African slave coast, and intercept slavers on their way to the market, and on their return. Such a police no foreign nation has been willing, or perhaps able, to establish. *We* have established one; but, under the general law of nations, it is powerless against all except our own subjects.

A ship is a floating portion of the territory whose flag it is entitled to bear. Except in the case of piracy, which renders it the general enemy of the world, its crew are amenable to no law but that of their own country, and punishable by none but their own courts. Under the general law of nations, we have no more right to interfere with a foreign slave trader, whatever be the punishment inflicted on slave trading by the law of his own country, than we have to enter the bazaars of Constantinople or Cairo, and to require that the wretches exposed to sale should be set free. If a British cruiser has a reasonable ground for suspecting that a vessel is first a British vessel, and secondly a slaver, she has a right, under the general law of nations, to detain her; and if the suspicion be well founded,

to send her to a British Court of Admiralty for trial. But such a case never in fact can occur; for no British vessels are slavers. Unless, therefore, we had supplied this want of power by treaty, our cruisers would have been mere spectators of the trade, without the slightest power of interference.

Of course we had recourse to treaties. We obtained from every important maritime power, except Portugal, the right to search their ships within certain latitudes, and the right to detain them, as to some powers, if they appeared to be equipped for the slave trade; and, as to all, if slaves were found on board, to send them to a Court of Admiralty for trial; and, if found guilty of slave trading for condemnation. From Portugal we obtained a limited treaty, and an express contract for a complete one;—a contract, however, which we have not been able to induce her to perform. From the United States of America, we have obtained no treaty whatever. Her engagements to us on this subject are confined to the vague stipulation that she will use her best efforts to put down the trade. She absolutely refuses to allow us to interfere with her vessels; whether our suspicion of their being slave traders be or be not well founded. We are grieved at the conduct of Portugal. We are grieved, surprised, and ashamed at that of the United States. It is lamentable that a great nation should, from the suspicious sensitiveness which is the great defect of her character, refuse to concur in the repression of a traffic which she acknowledges to be atrocious. It is strange that she should feel her dignity injured by granting a reciprocal right of search, in which all the great European powers have acquiesced. It is disgraceful to our common origin that, from such petty motives, she should suffer her flag to be so prostituted. We trust that the time will come when she will be influenced by nobler feelings; but while she adheres to her refusal, we have no more right, under the law of nations, to detain a slaver entitled to use the American flag, than we have to destroy the shipyards in Baltimore, in which we know that slavers are constructed. We have a right, of course, on having reasonable grounds for suspecting that she is not so entitled, to search her; but this right can be exercised only in good faith: it cannot be assumed unless reasonable grounds of suspicion exist, or be persevered in, though the hold be filled with slave shackles, if the ownership prove to be American.

Such is a brief outline of our efforts to suppress the foreign slave trade. I now proceed to state the result.

That deplorable result has been not merely failure, but aggrava-

tion. We have succeeded in intercepting about one slaver in three, as appears from the extra premium of insurance on slaves of about 33 per cent.⁵⁹ But that success has not prevented the continuance of the trade, or even its increase. The amount of that increase cannot be accurately stated, since an illegal trade has no statistics. Sir T. F. Buxton believes it to be 100 per cent. "Twice as many human beings," he maintains, "are now its victims, as when Wilberforce and Clarkson entered upon their noble task."⁶⁰ Mr. Irving, in his speech on Sir R. Inglis's motion of the 10th May, 1838, makes the increase nearly 200 per cent—that is to say, from an annual export of 70,000 to one of 200,000. Without adopting either of these estimates, it is certain that the trade has increased—has increased very greatly; and, up to the last period to which our information extends, has continued to increase. And it is equally certain, that by making it contraband, we have enormously aggravated the sufferings of its victims. While the trade was legal, we could require that the living cargo should have a definite amount of space, ventilation, and food. It was possible, too, that even the captain of a slave ship might be a man of ordinary humanity. But a trade which is punishable by death or infamy, must be abandoned to the outcasts of mankind. In a voyage which may be a continued chase, everything is sacrificed to promote the chances of escape. The build most favorable to speed, is that which affords the least accommodation in proportion to its computed tonnage. Into such vessels, measuring sometimes only thirty inches between the decks, the cargo is stowed, in a proportion more than three times greater than the largest which, under any other circumstances, would be considered admissible. I will not disgust [the] reader by a description of the horrors that ensue.⁶¹ All the misery of a long life of wretchedness on land, cannot equal that which is concentrated in the weeks of the middle passage. The least of its evils is its mortality of 25 per cent.

The result, then, of our long struggle has been, that there are probably twice as many sufferers as there were when we began it; and that each person suffers more than twice as much. This has been the result of the perseverance of a quarter of a century, and of the profuse expenditure of British life and British resources. We have redressed injuries after the manner of Don Quixote. We have satisfied our own consciences; but it would have been far better for the African race, if, after we abolished the slave trade, they had never seen a British cruiser.* ³¹⁶

5. Whitney's Cotton Gin and the Spread of Slavery in America. When, on the 14th of May, 1787, the Federal Convention met in Philadelphia to form a Constitution, the State of Massachusetts had already abolished slavery, and New Hampshire, Pennsylvania, Connecticut, and Rhode Island had provided for its gradual extinction by giving freedom to all future-born persons. Washington, though a slaveholder, declared that his suffrage in favor of the abolition of slavery should not be wanted. Franklin was president of an Abolition Society. Jefferson proposed, that by the Constitution slavery should be excluded from any territory to be subsequently acquired by the Union—a proposal which, if it had been carried, as it was within a single vote, would probably by this time ⁶² have extinguished it—and Madison succeeded in excluding from the Constitution the word “slave,” lest it should be supposed that the idea of property in man was sanctioned by the American nation.

Two interests, however, united in favor of slavery. The agriculturists of the South threatened to secede from the Union if they were deprived of the population which afforded them the only means of cultivating their rice and indigo. The maritime towns of New England believed that their prosperity depended on their retaining the American slave trade and the American carrying trade. A coalition between the South and a part of the North was formed, with slavery, slave trade, and a navigation law on its banner, which the delegates from the remaining States thought it dangerous to resist.

But it was supposed that the evil, though it must be submitted to for a time, might be rendered temporary. It was believed at that time, that slavery depended on the slave trade. The laws which regulate the increase of mankind were then little understood: the fear of depopulation was general, and it was plausibly maintained that a race transplanted from another hemisphere and a different soil and climate, engaged in unhealthy occupations, and subjected to the depressing influence of slavery, would gradually die out, if it received no reinforcements. A clause was introduced into the Constitution, forbidding Congress to abolish the slave trade within twenty years, and thereby impliedly giving it power to do so at the end of that period. This satisfied the Northern capitalists, to whom twenty years seemed an eternity. It pleased the South, as it enabled them to extend their cultivation and increase their gangs of negroes for nearly a quarter of a century, at the end of which time, if the slave trade were abolished, their estates and their

slaves would enjoy a monopoly, since no fresh negroes could be introduced, and, therefore, as they believed, no additional lands reclaimed.

The abolitionists felt that they were prolonging a national disgrace and a national crime; but they were convinced (as every one else was convinced) that at the end of the twenty years the slave trade must cease, and that slavery would not long survive it.

I have said that Madison succeeded in excluding from the Constitution the *word* "slavery"; but it was thought necessary, with respect to three matters, to notice the *thing*. Two of these subjects were connected. They were, direct taxation and representation in the House of Representatives. It was agreed that these should both depend on population—that is to say, that each State should be taxed and represented according to its population.

The South maintained that, for the purpose of taxation slaves should be unnoticed—being not persons but chattels; but that for the purpose of representation they should be counted, being, though chattels, chattels human. As a compromise, it was decided that, for both purposes, three slaves should be equivalent to two freemen—a compromise which now gives to the owners of three millions of slaves a representation equal to that to which two millions of freemen would have been entitled.

The third matter respected fugitive slaves. "Every person," says the Constitution, "held to service or labor in one State by the laws thereof" (the euphemism for a slave), "escaping to another, shall be delivered up on claim of the party to whom such service is due." It does not appear that either this enactment, or an Act of Congress passed in the year 1793, which attempted to define the procedure by which it was to be enforced, produced much effect. The surrender was to be made through the instrumentality of the State in which the fugitive was found. Such a duty is a disgusting one. It is difficult to obtain its performance even as respects criminals. Though several years ago England engaged, by a solemn treaty, to deliver up to the French authorities Frenchmen accused of serious crimes, the French have not been able up to this time to obtain from us, in a single instance, the performance of the engagement. Every one admits that the stipulations of the treaty are wise, indeed necessary; but the case for the time being before the Court is never within them. Some States declined to pay any expenses incurred by their officers in the execution of the law. In others, the magistrates neglected to put it in force. A judge of the

Supreme Court of Vermont refused to admit any evidence of ownership, "unless the master could show a bill of sale from the Almighty."

In the meantime the slave trade was abolished. Indigo and rice, the great staples of the slave States, were produced more cheaply in India; and it seemed probable that the Southern States would follow the example of their Northern brethren, and emancipate their slaves, and thus fulfill the prophecy that the extinction of slavery would follow that of the slave trade.

Whitney, an obscure mechanic of Massachusetts, falsified these expectations, by inventing, in 1793, the saw gin.

The long-fibered, or, in commercial language, long-staple cotton, of which the Sea Island is the best known variety, is cultivated with difficulty, and only on comparatively few soils. Much more than nine-tenths of the whole annual crop consists of the short-staple varieties. In these varieties the seed adheres so closely to the wool that, if they were to be separated by the hand, a man could not clean more than a pound a day. And even with the assistance of the rollers and the bow, which are now used for this purpose in India, and, until Whitney's invention, were employed in America, the expense is so great that scarcely any—I believe, indeed, none—of this cotton was exported from America while that process was necessary. The whole export in 1793 was only 187,000 lbs., probably consisting exclusively of long-staple cotton. The saw gin was introduced, and in 1794, the very next year, the export was about decupled—it rose to 1,601,760 lbs. The next year it advanced to 6,276,300 lbs.; in 1800, it was 17,789,803 lbs.; in 1810, it was 93,261,462 lbs.; and in 1852, the last year for which the returns [are available], the export of the short-staple variety alone exceeded one thousand one hundred millions of pounds.

If the Anglo-Americans had been in the situation of an European community, surrounded by powerful nations, and subject to the restraints of international law and of international morality, South Carolina and Georgia, the only cotton-producing districts of the original Confederation would soon have been fully peopled. Virginia, Maryland, Kentucky, North Carolina, and Delaware,—in all of which the white man can work,—would have followed the example of the Northern States, and have gradually emancipated their slaves. Slavery would have been confined to the two Southern States, and would have existed in the mitigated form in which it was seen in our West Indian islands; the cause, of course, of occa-

sional cruelty and of constant oppression and degradation, but free from the worst of all the abominations of modern American slavery, the breeding and exporting system,—the system under which the principal use made of men and women is to produce and bring up children, to be torn from them as soon as they attain the age of sale, and never to be seen or heard of again.

But the neighbors of the United States were dependencies of distant empires or semibarbarous or barbarous republics. France sold to them all her subjects and all her territories in Louisiana. Spain sold to them Florida. The vast territories which now form Arkansas, Mississippi, Alabama, and Florida, were in the possession of their aborigines—Creeks, Cherokees, Choctaws, Chickasaws, and Seminoles—to whom they had for the most part been guaranteed by treaty. But what is the value of a treaty between the weak and the strong, in a country in which the very name of international morality is unknown? The Indians were removed to the north, and a district three times as large as the British Islands was added to the Southern States. Texas was a portion of the defenseless incoherent Mexican republic. American speculators swarmed into it, and got up a rebellion against the central authority. The American Government acknowledged the rebels as an independent nation, and immediately accepted from them a cession of the country. Mexico remonstrated, and was punished for her insolent want of submission by war, defeat, and mutilation.

The United States were thus more than doubled in extent, and, what was more important as respects slavery, the greater part of the newly-acquired territory was so nearly tropical as to be better suited to the colored races than to the white. Their first acquisition, Louisiana, was already a slave country; so was Florida; but the Mexican Government had abolished slavery in all its dominions, and a negro slave never had existed in the Indian country, except in a few instances among the Cherokees. As soon, therefore, as the Union was to be increased by the introduction of new States, the question arose whether slaves should be excluded from a soil which, so far as it was peopled, was peopled by freemen. It was first tried in the case of Missouri. The contest began in 1818, and lasted for three years. Twice the House of Representatives voted the exclusion of slaves from the new State. Twice the Senate, which assumes to be the conservative portion of the American legislature, and, like its brethren in Europe, is the patron of every old prejudice and abuse, voted their admission. At length the antislavery party

were deluded into accepting what was called the Missouri compromise, by which Missouri was received as a slave State, but the existing Congress affected to bind their successors by enacting that in future slavery should not be established to the north of latitude 36° 30'.

To understand this contest, we must remember that, in 1806, the African slave trade had ceased. Up to that time it had been vigorously prosecuted. Between 1790 and 1810 the number of slaves increased from 697,897 to 1,191,364, notwithstanding the emancipation of about 120,000 negroes in the Northern States, and notwithstanding the preponderance of males which is incidental to every migration, voluntary or compulsory. An almost unlimited supply of slaves ceased nearly at the time that the acquisition of a new nearly tropical empire produced an almost unlimited demand.

That demand [however] was met by a new slave trade, more cruel, more degrading, more atrocious, than that which had been abolished. The total number of slaves in Virginia in 1840 was 448,886. During the ten years ending 1850 the slave population of the United States increased at the rate of 28 per cent. The number of slaves in Virginia, therefore, in 1850, ought to have been 574,574; it was only 473,026. Instead of increasing at the rate of 28 per cent, the slaves in Virginia increased at the rate of only 5½ per cent. Instead of adding 125,688 to their numbers, they added only 24,140. What became of the missing 101,548? It cannot be answered that they were not born, or that they died. The climate of Virginia is one of the best in the world; the labor in the plantations is light; the negroes are well taken care of. Every traveler admires the number of healthy children. If the natural increase of the slaves in the whole Union was 28 per cent, that in Virginia was probably 35 or 40 per cent.

The question, what became of the missing 101,548, is answered when we look at the rate of increase in the States which are consumers instead of breeders, when we find that in Louisiana the increase was 44 per cent, in Mississippi 57 per cent, and in Arkansas 135 per cent. It is to these States, and to Texas, Alabama, and Florida, that Virginia has exported her human crop; it is from them that she has received, at the low average price of 500 dollars per head, fifty millions of dollars for her 100,000 souls. It was to preserve this trade, that Mexico was robbed of Texas, and afterwards of California and New Mexico; that Cuba is to be snatched and Jamaica to be annexed; and that every new State in which the

climate is suited to the negro, is admitted into the Union as a slave State.

The selfish single-purposed party, to which general politics are indifferent, which is ready to ally itself to Free Traders or to Protectionists, to Reformers or to Anti-Reformers, to Puseyites or to Dissenters, becomes powerful by becoming unscrupulous. Such a party is the Southern party in the United States. Its only object is the retention and extension of slavery and of the internal slave trade. For this purpose, it is ready to ally itself to Whigs or to Tories, to Democrats or to Federalists, to those who wish to raise, or to those who wish to lower, the tariff. But this is a purpose which must excite the fears of every wise man and the detestation of every honest man. All the best men of America, therefore, resist the contamination of such an alliance. They see that the Southern faction, by choosing its opportunities, by joining from time to time the party that will accept its terms and can triumph by means of its assistance, generally obtains its objects, rewards its favorites, and excludes its opponents. Most of them are discouraged, and forsake political life for literature or business, or foreign travel; others are cut short in their public career, and forced to resign themselves to provincial or professional eminence. And what, on this side of the Atlantic, are the prizes of public life, the high political and administrative posts, are generally left to the inferior men, whose ignorance, violence, or incapacity have led those who judge of America only through her public servants, to look on her with unmerited contempt or disgust. I say "unmerited," because I believe that the public morality of the educated classes in America, who take no part in politics, is generally far superior to that of the great bulk of her statesmen.* ³¹⁷

NOTES ON PART VIII

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¹ [Part IV, Chap. VII.]

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² [The commercial production of natural ice in the United States began in the second decade of the 19th century and reached its zenith about twenty-five years ago. The peak of our foreign ice trade was reached in the early seventies. In 1870 the exports amounted to 69,000 tons valued at \$268,000, but by 1900 they had already fallen to about 14,000 tons valued at \$30,000. This decline in the consumption of natural ice was due to the spectacular development of the ice-manufacturing industry.]

In 1869 the Census reported only four small ice factories in the southern part of the United States. In 1899 there were 775 establishments with a capital of \$38,000,000, the value of whose products amounted to \$14,000,000. In 1919 the number of commercial ice-manufacturing plants in the United States increased to 2,867, with a capitalization of \$271,000,000 and a production valued at \$137,000,000. The adoption of artificial refrigeration for the transportation of perishable food products dates from 1879. In that year frozen cargoes of American beef and Australian mutton were successfully transported to England by the aid of refrigerating machinery.]

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³ [In connection with the investigation of the House of Lords' Committee on the *Burdens Affecting Real Property*, Senior gave the following testimony with respect to the increase in the value of real estate as compared to the growth of population:—

Question.—"Do you think that real property increases in value more rapidly than population?"

Answer.—"I think that in the course of the last century the population has probably quadrupled; but that the property of the country is probably ten times as much as it was. I am convinced that the capital of the country increases more rapidly than the population."

Question.—"The question refers to real property. Putting out of the question ratable property, has that increased in the same ratio as the population has increased?"

Answer.—"I think probably not."—*Minutes of Evidence*, March 18, 1846.]

⁴ The hectare is within a minute fraction $2\frac{1}{2}$ acres. This is therefore rather less than £1 12s. per acre.

⁵ About £3 4s. per acre.

⁶ About £72 per acre.

⁷ About £720 per acre.

⁸ £2,880 per acre.

⁹ £4,320 per acre.

¹⁰ *Six Letters to Sir R. Peel*, p. 31.

Page 148.¹¹ [Cf. Part VI, Chap. II, sec. 3.]¹² [Cf. Part IV, Chap. VII.]¹³ [Cf. Part VII, Chap. IV, sec. 3; and Part IX, Chap. II, sec. 1.]**Page 149.**¹⁴ [Part VI, Chap. II, sec. 1.]¹⁵ [Cf. Part IV, Chap. III, sec. 4, and Chap. IV.]¹⁶ [Cf. Part IX, Chap. V, sec. 2.]¹⁷ [This section was written in 1849.]**Page 150.**¹⁸ [Cf. Part II, Chap. I, sec. 2, and Chap. II, sec. 5.]**Page 151.**¹⁹ Report from J. C. Symons, Assistant Commissioner in the Hand-Loom Inquiry, p. 159.**Page 152.**²⁰ [Cf. Part VI, Chap. II, sec. 4.]²¹ [Part IV, Chap. VII.]²² Vol. 2, p. 391.**Page 153.**²³ Page 435.²⁴ [The editor must in this case, as in other instances, be held strictly accountable for any defects in the *arrangement* of the table, though no attempt has been made to compare the figures given in the MS. with those contained in the *History of Prices*.]²⁵ [Applicable to quantity only; *ton* applicable to price.]²⁶ [Applicable to quantity only; *cwt.* applicable to price.]²⁷ [1844, no quotation for 1845.]²⁸ [So stated in text, though different figure given in table.]²⁹ [Cf. Part VI, Chap. I, sec. 3.]³⁰ [Book I, Chap. VIII.]**Page 157.**³¹ Pp. 173, 215; 10, 100.**Page 159.**³² *Budget, or a Series of Letters on Financial, Commercial, and Colonial Policy*, by a Member of the Political Economy Club, London, 1841.**Page 160.**³³ Book IV, Chap. II.**Page 164.**³⁴ [Intimately connected with the "Independence" argument for commercial restrictions, is the question of *conservation of national resources*. In both cases there is a political as well as a purely economic aspect. Thus, when in 1842 Sir Robert Peel proposed an export duty on coal, Senior questioned the expediency of such a policy from a political standpoint.³⁵ "It has always appeared to me," Senior declared, "that to export a commodity incapable of reproduction, on the *abundance*, not merely the *possession*—I repeat, on the *abundance*—of which our national existence depends, and which we are consuming at home on a rapidly increasing ratio—and to export

it to our manufacturing rivals—is a preference of immediate to ultimate good, resembling that of the Dutch garrison who sold powder to their besiegers. It has been said that the principal export consists of small coals, and that if it is interrupted they will be wasted at the pit's mouth. I do not believe that this would now be the result. Small coals mixed with pitch constitute Grant's patent fuel, now extensively employed in steam-boats; and which, if the abundance of small coal reduce its price, must come into general use. Again, small coal, mixed with clay, forms one of the most efficient and most lasting kinds of fuel; as those who have visited Liége or Aix-la-Chapelle, where scarcely any other fuel is used, must have observed. For the last century, we have been wasting our coal with the recklessness with which our Scottish ancestors wasted their forests.

"But the question is not purely economical. It has its political side. Our manufactures, and with our manufactures, our wealth, our power, and probably our constitution, are dependent on the importation of raw produce. Up to the present time, duties on the exportation of raw produce have been rare. Are we wise in setting an example of them? The restrictions of our different commercial codes have generally found zealous imitators. Are we sure that what we are now proposing will not be copied? Have we ascertained how far an export duty on coals may affect our pending negotiations with France? France is our principal customer for coals, and, with her irritable suspiciousness, is not unlikely to believe that the whole object of Sir R. Peel's Budget is to deprive her factories and steam-vessels of coal. The absurdity of this suspicion would not, in such a country as France, diminish its prevalence" (A³, 207-208).

In this connection it may be of interest to note the author's record of his conversation with Thiers at the latter's home in Paris, under date of May 10, 1857.

"Thiers" (Senior observes), "who is just returned from the coal mines at Anzin, of which he is a director, poured out his protectionist prejudices."

Thiers.—"If I were in the position of Louis Napoleon, that is, if I had absolute power, I would to-morrow double or quadruple the duties on foreign coal."

Senior.—"What are they now?"

Thiers.—"They differ according to the place of origin and the place of consumption. The country is divided into zones. As you go south, and the place of consumption is further from the place of production, and the advantage of the foreign producer therefore is smaller, the duty diminishes. It is lower at Bordeaux than at Boulogne, and at Marseilles than at Bordeaux. The duty on Belgian coal in the north of France is fifteen centimes the hectolitre, about an English sack. That on English coal is thirty centimes a hectolitre, about two shillings and sixpence a ton."

Senior.—"What does English coal cost in Paris?"

Thiers.—"Sixty francs a ton."

Senior.—"I pay in London about twenty-four francs."

Thiers.—"The proof that the duty is not too great is, that it is with difficulty we beat the Belgian coal. If all foreign coal were prohibited it would give such an impulse to the French collieries that in ten years coal would be as cheap in France as it is in England. If we were to reduce our duty you would raise your

price, and if we were to allow our mines to be abandoned, as would be the case if we let in English coal without a duty, you would soon make us pay a monopoly price. And what would be our state in time of war? Maritime wars in future will be coal wars. If a war were to break out now we should soon be in want of coal. Our mines however are advancing, and in a few years we shall be independent of you. It seems that at St. Étienne there are great coal-fields below those that are now worked."

Senior made no reply. "It is seldom" (he later commented), "worth while to argue with anybody, never with Thiers" (J^r, II, 152-154).

Cf. the author's conversation with Ismail Pasha, Part II, note 19.]

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³⁵ ["Liberal-minded" advocates of protective tariffs in the United States have in recent years taken the stand that a tariff should protect the whole community and not merely certain parts of it. By this they mean that farmers and producers of raw materials are entitled to the "benefits" of protective tariffs just as much as manufacturers. There is, however, one large class of producers that is left out of consideration—those who are engaged in producing what Senior called services, such as transportation, communication (postal, telephone, telegraph, radio), construction, teaching, preaching and other professions. These classes are generally hard hit by all tariffs.]

Page 169.

³⁶ *The Budget*, p. 28.

Page 171.

³⁷ *Ibid.*, pp. 30, 31,

Page 173.

³⁸ [See Part VII, Chaps. III and IV for the author's views on the value of money.]

Page 175.

³⁹ M. Annison, *Examen de l'Enquête sur les Fers*, cited by Mr. Macgregor, *Commercial Tariffs, France*, p. 140.

Page 181.

⁴⁰ [Part VI, Chap. II, sec. 1.]

Page 182.

⁴¹ [Cf. Part IX, Chap. II, sec. 4.]

Page 184.

⁴² [Cf. Part VII, Chap. II.]

Page 185.

⁴³ [This is in harmony with Cairnes' theory of "non-competing groups." See J. E. Cairnes, *Some Leading Principles of Political Economy Newly Expounded*, pp. 65-69.]

Page 186.

⁴⁴ [Cf. Part IV, Chap. VI, sec. 2.]

Page 190.

⁴⁵ [Cf. Part V, Chap. II, sec. 3.]

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⁴⁶ [Much has been done in recent years to mitigate these conditions. In 1911 Lloyd-George, Chancellor of the Exchequer, after a bitter fight with the House of Lords, succeeded in putting through the National Insurance Act providing compulsory insurance against sickness, invalidity, and unemployment.]

⁴⁷ [Unless the author really meant to say *frugality*, instead of providence, this statement appears to be inconsistent with that given in Part IV, Chap. IV, sec. 2. It must be added, however, that the present section was written some years earlier, and at that time the author probably did not think of the subtle distinction between those two terms.]

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⁴⁸ [In the opinion of one of my correspondents, the author's "statement of the problems of statesmanship involved in the development of the modern proletariat has much the ring of some of the things written since the war, and might well be pondered by those fatuous folk who think that the war created our present difficulties for us."]

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⁴⁹ [Cf. below, Chap. IV, sec. 2.]

Page 194.

⁵⁰ [In this connection it may be of interest to quote from a recent address by Senator James A. Reed of Missouri, one of the famous "irreconcilables" on the League-of-Nations issue.

"Thousands of millions of dollars have been, under tariff laws, taken from the pockets of the American people in strict conformity with the intent and purpose of Congress, but in utter disregard of the fact that no power was ever intended to be granted to Congress to tax one part of the American people for the support of another part of the people."]

Page 195.

⁵¹ [The term *corn* refers particularly to wheat, though sometimes it means all kinds of grain, cereals and other agricultural products.

This section was written towards the end of the corn-law régime. For the author's comprehensive survey of industrial and commercial legislation culminating in 1846 with the repeal of the corn laws, see Part X, Chap. I, sec. 2.]

Page 198.

⁵² [Part V, Chap. VI.]

Page 199.

⁵³ [Book IV, Chap. VII, Part III.]

Page 201.

⁵⁴ [This section was written in 1850.]

Page 203.

⁵⁵ [This section was written in 1850.]

Page 207.

⁵⁶ *Exodus*, XXI, 2, 3, 7.

⁵⁷ *Leviticus*, XXV, 44-46.

Page 208.

⁵⁸ [And yet the author seems to take it for granted that no improvement can be made upon the moral principles contained in the Bible. See Part IV, note 57.]

Page 211.

⁵⁹ Turnbull, *Travels in the West*, p. 369.

⁶⁰ *The African Slave Trade*, p. 173.

⁶¹ See Sir T. F. Buxton, pp. 96-146.

Page 212.

⁶² [This section was written in 1856.]

PART IX
DISTRIBUTION OF SOCIAL INCOME

CHAPTER I

SOME PRELIMINARY OBSERVATIONS

1. The Classes of Industrial Society and Their Shares of Production. 2. The Standards for Measuring the Laborer's Remuneration: REAL vs. MONEY Wages. 3. The Capitalist's Share and the Laborer's Share: AMOUNT of Wages vs. PRICE per Unit of Production.

1. The Classes of Industrial Society and Their Shares of Production. I now come to Distribution, the portion of political economy most attractive to a practical teacher; since it depends on causes within human control—the laws and customs of society. The rules by which it is determined are always what the opinions and wishes of the community make them; are very different in different ages and countries; and might be still more different if mankind so chose.* ³¹⁸

[According to] the established nomenclature society [is divided] into landlords, capitalists, and laborers; and revenue into rent, wages, and profit. Rent [is] the revenue spontaneously afforded by nature or accident; wages, the reward of labor; and profit that of abstinence. At a distance these divisions appear to be clearly marked, but when we look into the details we find them so intermingled that it is scarcely possible to subject them to anything like a consistent classification.* ³¹⁹

[As I have pointed out in a former Part ¹ of this work], it is difficult to draw the line between profit and wages. There are perhaps a few cases in which capital may improve in value without superintendence or charge, simply by being preserved from consumption. Wine and timber perhaps afford instances. But even a wine cellar or a plantation, if totally neglected, would probably deteriorate. And, as a general rule, it may be laid down that capital is an instrument which, to be productive of profit, must be employed; and that the person who directs that employment must *labor*, that is, must to a certain degree conquer his indolence, or sacrifice his favorite pursuits, and often incur other inconveniences from his residence, from the persons to whose contact he is exposed, from confinement or from exposure to the weather, and must also often submit to some inferiority of rank.* ³²⁰

It is [furthermore] difficult to say whether a given revenue ought or ought not to be called rent. When an estate has been for some time leased to a careful tenant, it generally receives permanent ameliorations, which enable the owner at the expiration of the lease to obtain a higher rent. A bog worth 2s. annually an acre may be converted into arable or pasture worth annually £2. Is the increase of revenue rent or profit? It arises from an additional fertility now inseparably attached to the land. It is received by the owner without sacrifice on his part. It is, in fact, indistinguishable from the previous rent. On the other hand, its existence is owing to the abstinence of the farmer, who devoted to a distant object—the amelioration of the land—labor which he might have employed in producing immediate enjoyment for himself. If the owner of the estate had farmed it himself, and had directed labor to be employed on its permanent improvement, the additional produce occasioned by those improvements would clearly have been termed profit.² It appears, therefore, most convenient to term it profit when occasioned by improvements made by a tenant. In fact, these improvements—and they form the greater part of the value of the land of a well-cultivated country—are as consistently to be termed capital as a dock or a cotton mill. Whose capital are they then? During the lease the capital of the tenant; when it has fallen in, the capital of the landlord, who has purchased them by engaging not to raise the rent during the currency of the lease.* ³²¹

The common language of economists which describes the landlord, the capitalist, and the laborer as sharers of the produce, is a fiction.* ³²² [It is true that] under the *métayer* system which is still common in the Continent of Europe, and probably is always to be found in a certain state of society, the landlord supplies the capital, as well as the land, and receives half the crop, the remainder forming the wages of the tenant or head laborer, and of the inferior workpeople in his employ.* ³²³ [But as a general rule], all that is produced, is in the first instance the property of the capitalist. He has purchased it by having previously paid the rent and wages, and incurred or paid for the abstinence which were necessary to its production. A portion of it, but generally a small portion, he consumes himself in the state in which he receives it. The remainder he sells. He may, if he think fit, consume for his own gratification the price of all that he sells. But he cannot remain a capitalist unless he consent to employ some portion of it in the hire of the land and labor by the assistance of which the process of

production is to be continued, or recommenced. He cannot, generally speaking, fully retain his situation as a capitalist unless he so employ enough to hire as much land and labor as before. And if he wish to raise himself in the world he must, generally speaking, not merely keep up but increase the sum which he devotes to the purchase of productive force.* ³²⁴

In most cases a considerable period elapses between the period at which the natural agent and the laborer are first employed, and the completion of the product. In this climate the harvest is seldom reaped until nearly a year after it has been sown. A still longer time is required for the maturity of cattle; and a longer still for that of a horse; and sixty or seventy years must pass between the commencement of a plantation and the time at which the timber is salable. It is obvious that neither the landlord nor the laborer, as such, can wait during all this period for their remuneration. The doing so would in fact be an act of abstinence. It would be the employment of land and labor to obtain remote results. This sacrifice is made by the capitalist, and he is paid for it by his appropriate remuneration, profit. He advances to the landlord and the laborer, and in most cases to some previous capitalist, the price of their respective assistance; or, in other words, the hire of the land and capital belonging to the one, and of the mental and bodily powers of the other, and becomes solely entitled to the whole of the product. The success of his operations depends on the proportion which the value of that produce (or, in commercial language, the value of his returns) bears to the value of his advances, taking into consideration the time for which those advances have been made. If the value of the return is inferior to that of the advance, he is obviously a loser; he is a loser if it be merely equal, as he has incurred abstinence without profit, or, in ordinary language, has lost the interest on his capital. He is a loser even if the value of his returns do not exceed that of his advances by an amount equal to the current rate of profit for the period during which the advance has been made. In any of these cases the product is sold, as far as the capitalist is concerned, for less than the cost of its production. The employment of capital, therefore, is necessarily a speculation; it is the purchase of so much productive power which may or may not occasion a remunerative return.* ³²⁵

2. The Standards for Measuring the Laborer's Remuneration: REAL vs. MONEY Wages. [I have already ³ remarked that the term *wages* is used in different senses.] The most obvious and the

most usual meaning of that term is *the amount of money* earned by the laborer in a given time—in a day, a week, or a year. [Another sense of that term is] *the quantity and quality of the commodities* earned by the laborer in a given time. The first has sometimes been called *money wages*, the second *real wages*.* 326

[These two meanings of the word *wages*] are both equally convenient, if we consider the rate of wages at the same time and place; for they then both mean the same thing. At the same time and place the laborer who receives the highest money wages necessarily receives the most commodities. But when we refer to different places, or different times, the words *high* and *low* wages direct the attention to very different subjects, as we understand them to mean more or less in money, or more or less in commodities. The differences which have taken place in the amount of money wages at different *times* inform us of scarcely anything but the abundance or scarcity of the precious metals at those times—facts which are seldom of much importance. The differences in the amount of money wages in different *places* at the same time are of much more importance, since they indicate the different values of the labor of different countries in the general market of the world. But even those differences afford no premises from which the positive condition of the laboring classes in any country can be inferred, and but imperfect grounds for estimating their relative condition. The only data which enable us to ascertain the actual situation of the laborers at any given time and place, or their comparative situation at different times and places, are the quantity and quality of the commodities which form their wages, if paid in kind,⁴ or are purchasable with their wages, if paid in money.

It is obvious, too, that the laborer's situation does not depend on the amount which he receives at any one time, but on his average receipts during a given period—during a week, a month, or a year; and that the longer the period taken, the more accurate will be the estimate. Weekly wages have, of course, more tendency to equality than daily ones, and annual than monthly. And if we could ascertain the amount earned by a man during five, or ten, or twenty years, we should know his situation better than if we were to confine our attention to a single year. There is, however, so much difficulty in ascertaining the amount of wages during very long periods that a single year will probably be the best that we can take. It comprehends what, in most climates, are very different—summer and winter wages; it comprehends also the period during which the

most important vegetable productions come to maturity in temperate climates, and on that account has generally been adopted as the average period for which capital is supposed to be advanced.

I should observe that I include, as part of the wages of the married laborer, those of his wife and unemancipated children. To omit them would lead to inaccurate estimates of the comparative situation of the laborers in different countries, or in different occupations. In those employments which are carried on under shelter, and with the assistance of that machinery which affords power, and requires human aid only for its direction, the industry of a woman or a child approaches in efficiency to that of a full-grown man. A girl of fourteen can manage a power-loom nearly as well as her father. But where strength, or exposure to the seasons, is required, little can be done by the wife or the girls, or even by the boys, until they approach the age at which they generally quit their father's house. The earnings therefore of the wife and children of many a Manchester weaver or spinner exceed or equal those of himself. Those of the wife and children of an agricultural laborer, or of a carpenter, or a coal heaver are generally unimportant. While the husband in each case receives 15s. a week, the weekly income of one family may be 30s. and that of the other only 17s. or 18s.

It must be admitted, however, that the workman does not retain the whole of this apparent pecuniary advantage. The wife is taken from her household labors, and a part of the increased wages is employed in purchasing what might otherwise be produced at home. The moral inconveniences are still greater. The infants suffer from the want of maternal attention, and those who are older from the deficiency of moral and intellectual education, and of childish relaxation and amusement. The establishment of infant and Sunday schools, and laws regulating the number of hours during which children may labor, are palliatives of these evils, which however must exist to a certain degree whenever the labor of the wife and children is the subject of sale; and though not, all of them, perhaps, strictly within the province of political economy, must never be omitted in any estimate of the causes affecting the welfare of the laboring classes.* 327

3. The Capitalist's Share and the Laborer's Share: AMOUNT of Wages vs. PRICE per Unit of Production. [As a last preliminary point, I will explain] an ambiguity in the use of the term *wages of labor*, which has exercised and continues to exercise much influence on the opinions and even on the conduct of large bodies

of persons. [Instead of denoting the amount of money or the quantity and quality of commodities received by the laborer within a given period, that term] is often used to signify *the price given for producing a given result*, for weaving for instance a given quantity of cloth. It is obvious that these two things are perfectly distinct. In the one the attention is directed solely to the workman, and its only subject is the amount of his income. In the other the attention is directed solely to the employer, and its only subject is the amount of his expenditure. And it will often happen that wages are highest when the price given for producing a given result is lowest. A striking example is to be found in the *Third Report of the Commissioners for Inquiring into the Condition of the Poorer Classes in Ireland*. The commissioners state, that the wages of the agricultural laborers in Ireland average from 2s. to 2s. 6d. a week, while those in England average from 8s. to 10s. a week. But they also state, that there are in Ireland five agricultural laborers for every two in England, and that those five laborers produce only one-fourth of what is produced by the two in England; and they infer, therefore, that the Irish laborer at 2s. 6d. a week obtains a larger *share of the value* of what he produces than the English laborer at 10s; or, in other words, that the price given for producing a given effect in Ireland, where the wages are 2s. 6d. a week, is higher than that given in England, where wages are 10s. a week. And yet the statement that an Irish farmer has an advantage over an English one because he pays lower wages, though perfectly false, would be plausible. Using the words "lower wages," to signify that he pays less to each of his laborers, it is true that he does pay lower wages; but using those words to signify the price paid for the production of a given effect, the truth is that he pays higher wages than the English farmer.

I have said that [the] ambiguity [under consideration] has influenced and continues to influence the conduct of large bodies of persons. I alluded to the workpeople in combination. In those trades in which the laborers are paid by the piece,⁵ that is to say, by a given price for a given effect produced, it has become habitual to apply the term wages, not to the amount earned by the workman in a given time, but to the price paid for producing the result; and consequently, to call a reduction of that price a reduction of wages, without reference to the amount earned by the workman in a given time. The consequence has been that, acting under the influence of mere names, workmen have turned out to resist, under the

name of a reduction of wages, plans of operation by which the total amount of their earnings would have been augmented, though the price paid for the result of their labor would have been diminished.

One of the principal objects of all combinations among workmen who are paid by the piece is, to fix one invariable rate of payment per piece. If the productive power of the workman were also invariable, this would effect its professed object—a uniform amount of earnings. But with every improvement in machinery the productive power of the workman is increased. With the same, or nearly the same labor, and in the same time, he can produce a greater result. These improvements are expensive to the manufacturer, and he proposes to indemnify himself by a reduction of the payment per piece for the work done. Almost universally the proposal of the manufacturer would be beneficial to the workman; almost universally he proposes to divide between himself and his workpeople the benefit of the improvement, allowing them to earn within a given time a larger amount, while he obtains a given result at a less price. But this is called, as I have said before, a reduction of wages—a deviation from the list of prices—and is opposed with as much vehemence as if it deteriorated instead of improving the workman's condition. The great strike of the Manchester spinners in 1829—a strike which reduced thousands to destitution—was directed against a proposal of the masters, who had increased the power of their machinery, to diminish, though not in proportion to that increase, the price paid for spinning a given quantity of yarn. After inflicting great pecuniary loss on the masters, and far greater loss on the workpeople,—after three months of idleness, misery, and violence, that contest ended in the submission of the spinners. The result is thus stated by Mr. Cowell, in his admirable paper in the Appendix to the Second Report of the Factories Inquiry Commission:—

In 1829 the spinner turned off 312 lbs. of yarn in the same time that he now takes to turn off 648. He was paid at the rate of 4s. 1d. per lb. in 1829; he is now paid at the rate of 2s. 5d. But 312 lbs. at 4s. 1d. amount to 1,274 shillings, and 648 lbs. at 2s. 5d. to 1,566 shillings. He receives, therefore, 292 shillings more than he did in 1829 for equal times of work. It is perfectly true that he does “more work for less wages than in 1829” but this is nothing to the purpose, when the proposition to be proved is, that “wages are lower than formerly.” I mean to say, that a spinner earns a shilling, or a pound, or a hundred pounds, in less time at present

than he would have consumed in earning a shilling, or a pound, or a hundred pounds, ten years ago.—D. I. 119, m.

And yet this was the change which the workpeople resisted as an injury, and continue, indeed, to treat as an oppression.

[It is generally admitted] that the wages of labor are lower on the Continent than in Great Britain, [using] the term wages to signify the money earned by the workman within a given time. I believe that there are few districts on the Continent, and few employments in those districts, in which the money earned by any workman within a given time much exceeds one-half of the earnings of a workman similarly employed in England. But the difference between the sums earned by the Continental and by the British laborer does not necessarily give any greater advantage to the Continental over the British manufacturer, than is given to the Irish over the British farmer by the lower earnings of the Irish agriculturist. The really important question to the manufacturer is, not the amount of wages earned by his workpeople, but the price which he must pay in order to obtain a given result. That price being given, their wages will be high in proportion as the number of persons employed in producing the result is small, and the time in which it is produced is short. And it is unquestionably the interest of the manufacturer that, *cæteris paribus*, any given result should be effected by as few workpeople and in as short a time as possible. The interest, therefore, of the workman and the manufacturer coincide; and it is notorious that the most prosperous establishments are those which afford the highest wages. [It must be admitted, however,] that between sets of workmen, *equally efficient*, the difference in wages is a precise index to the difference in the price of the results of their respective labor.* 323

CHAPTER II

MONEY WAGES AND THE DEMAND FOR SERVICES

1. Introduction. 2. New versus Old Occupations. 3. Fluctuation in the Demand for Commodities. 4. Elimination of Inefficient Methods of Production. 5. Trade Unionism and Strikes.

1. Introduction. In a former [chapter⁶] I explained the causes which decide what shall be the cost of production of the precious metals, in the places where they are originally obtained; and I added that a more interesting and scarcely less intricate question remained, namely, the causes which decide what shall be the cost of obtaining them, in the countries in which they are not originally produced. This question I now propose to discuss. I propose to inquire why it is that in England one man can earn by a day's labor twelve ounces of gold in a day, and another only half a dozen grains: why it is that the average wages of an agricultural laborer are in Hindostan about eighteen ounces of silver a year, in England about 104 ounces, and in the United States about 200 ounces. In other words, I propose to inquire what are the causes which determine the amount of the money wages of labor in the countries which import the precious metals.

To simplify the discussion I will suppose the annual supply of gold and silver from the mining countries, and its annual consumption in money and plate to be unvaried. The intrinsic⁷ value of the precious metals being thus treated as uniform, the only causes of value which I shall have to consider will be those which affect labor; or, to speak more accurately, those which affect *services*, for what we call the wages of labor are, in fact, the price of services. [It will be recollected] that I have explained at length in former [chapters]⁸ that the value of everything which is transferable—of services as well as of commodities—depends on their utility and limitation of supply; or, to use a more familiar expression, on demand and supply: and that they are valuable directly according to their utility, or, in other words, according to the demand for them and inversely according to their supply.

The principal causes which affect the *supply* of labor in any em-

ployment are generally permanent, and affect the business in question at all times and wherever it may be carried on. I shall consider them in the next [chapter].

The principal causes which affect the *demand* for labor in any business are generally temporary and local; they seldom affect more than a portion of the workpeople engaged in the business, and only at a particular time and place.

Of these causes the principal are—first, the recency or long establishment of the business; secondly, increase or diminution of the consumption of its produce; thirdly, the competition of rival producers; and fourthly, combinations.

It is to be observed, that temporary alterations in the supply of labor, or in the demand for it, may, during their continuance, as frequently raise the workman's wages as they may depress them. But durable alterations, so far as they affect a single business, are generally to its disadvantage. No cause can permanently keep the wages of any large class of artificers above the proportion which the skill, strength, and the sacrifices of comfort and ease which are required from them, bear to those required from the general body of laborers; but more than one cause may keep them under the general level for an indefinite period—in fact, until, as a separate class, they shall have ceased to exist.

As the causes which affect the demand for labor are rather accidents than properties, rather exceptions than rules, I think that it will be most convenient to consider them before I treat of those which influence the supply of laborers.* 329

2. New versus Old Occupations. First as to the recency of a business. The capitalist who introduces any new commodity has at first a monopoly. He is able, therefore, to charge a price high in proportion to the cost of production; and, consequently, to obtain a high profit. He endeavors to extend his operations, and for that purpose must bribe additional workmen into his service by an increase of wages. But this prosperity carries in itself the seeds of an early decay. Other capitalists and other workmen press into the new employment. It becomes the interest of each manufacturer to reduce the price of the commodity in order to extend its sale, and the interest of each workman to accept lower wages as long as those wages exceed, in the least, the average wages which he could obtain for his labor in any other employment; until at length the price of the commodity, the profits of the manufacturer, and the wages of the workman sink to their natural level.

The following evidence given by Mr. Kingan before the Committee of the House of Commons on hand-loom weavers in 1834, in answer to questions 215 and 217, illustrates the rise and fall of wages, on the introduction and subsequent disuse of new articles in the fancy trade:—

In the last 20 years there was hardly any rise ever took place in an old article. I never knew a rise of wages in a thing which had been long made; but the wages were very high when a new article was introduced; then, as the article became old, it became depressed, till it became so bad and so low that it went out of use or fashion. That was the general history of everything in cotton manufacture in Scotland. The general rule of all fancy goods is, that as they are introduced, they continue to descend and descend until the article becomes so bad, and the wages so low, that they become stale and coarse, and badly manufactured, and they go out of use, and some new articles supersede them.

Did they supply the same demand for labor?

In general greater. When the new article was introduced it gave a fillip to all sorts of labor, because it relieved the old article of its hands, and sometimes it did more than compensate.* 330

3. Fluctuation in the Demand for Commodities. The second cause which I have mentioned as affecting the demand for the labor of any class of workpeople is the increase or diminution of the consumption of the article which they produce. It is obvious that a diminished consumption of the produce of their labor must frequently affect those artisans who produce commodities that may be more or less sparingly or carefully used, and more or less frequently replaced,—particularly if they are commodities of only occasional demand, or superfluities owing their use merely to fashion, the consumption of which expands in general prosperity and is diminished or discontinued as soon as economy becomes necessary. Still more subject to such a calamity are those, on whatever articles employed, who work for a distant market, and who are affected therefore, not only by the commercial vicissitudes of their own country, but by those, still more difficult to foresee, which may affect the foreign consumer. And both the intensity and the duration of all these disturbing causes will be aggravated, if the commodities produced by the laborers in question be from their own nature unfit to be accumulated, when the demand is slack, in anticipation of an improved market; or, if the fixed capital by which the laborer is aided, is small, or belongs to the laborer himself, so that he cannot hope for employment from a capitalist at periods

when his work is unsalable: or if, by refusing at such periods to accept lower wages, he voluntarily rejects the opportunity which is offered to him.* ³³¹

4. Elimination of Inefficient Methods of Production. The third cause influencing the wages and condition of particular branches of laborers, namely, the competition of rival producers, requires to be considered more at length.

It is obvious that in the same market⁹ all commodities of the same kind and of the same goodness will sell for the same price, whatever be the means by which they have been produced. The purchaser will not pay more for a piece of cotton woven by hand, than for a similar one woven by power, though the latter may have cost less to the producer. It is obvious, too, that no manufacturing capitalist will voluntarily accept a less profit than he could obtain by using the cheapest mode of production that he can employ. His interest as a tradesman must almost force him to use the instrument which is least expensive, in proportion to the effect produced; and, if he finds that he is using processes more costly than those employed by his rivals, to escape from that condition, either by adopting the means of production used by them, or if he continue to use his own, by reducing their expense. Every inferiority in the means of production,—every inferiority in the habits or skill of the workman, or in the tool which he employs, even every natural deficiency arising from want of coal or of water, or of means of communication, falls ultimately on the price of the workman's labor. The purchaser will not consent to its being met by an increase of the price of the commodity, and the manufacturer is never willing, and seldom able, to deduct it from the small portion of the wholesale price which constitutes his profit.

I do not mean to represent these effects as immediate. The mechanical improvements which produce changes in manufacturing processes so great as to substitute one class of workpeople for another, such as the mule or the power loom, are of slow introduction. Nearly 30 years¹⁰ have passed since the application of the power loom to wool, and though constantly extending, it is still less employed for that purpose than the hand loom—so much less, that its use does not seem to have as yet affected wages in the woollen trade. Again, the rise of a manufacture in a new district is always gradual. Years therefore generally elapse before the influence of a new process, or of a superior local advantage, is shown in a diminished price of the manufactured article. During this interval the

effect of either is rather to give higher wages and higher profits where it has been adopted, than to lower those obtained in the establishments where it has not come into use. But sooner or later its influence is inevitable; and the workman who is unwilling or unable to obtain work under the new system, must submit to lower wages, and, in many cases, to irregular employment. He often attributes his calamities to his employer,¹¹ and often attempts resistance by combination and violence. But the influence against which he contends is irresistible. The manufacturer who should yield to the wishes or to the menaces of his workpeople, and attempt to maintain a rate of wages greater than the price of the commodity will justify, must in time be ruined; and the only change in the workman's fate would be, that his employment, instead of continuing at a depressed rate of wages, would cease suddenly and altogether.

One of the most melancholy instances of the mode in which the introduction of improved manufacturing processes affects those who are unable or unwilling to adopt them is found in the contest which has been long going on in many cotton and silk fabrics between the power loom and the hand loom.

The steam engine, always exerting the same force, produces a more uniform texture, and can finish a larger quantity of web in the same time. Its produce is both better and greater. In the fabrics, therefore, on which the power loom can be employed, it must supersede the hand-loom weaver, unless the latter can furnish his work at a cheaper rate. The consequence is, that with every improvement in the power loom, which either cheapens its services so as to enable it to work on even terms with the hand loom, or renders them applicable to a new fabric, the demand for the labor of the hand-loom weavers employed in producing similar articles diminishes, and, if their wages remained unaltered, must cease; since the manufacturer who persisted in employing them must be undersold. Their obvious resource is to take work at the power loom, which in many cases would employ them all; but partly the dislike of factory restrictions, and partly the aversion to change, which prevails in proportion as education is deficient, leads the great majority of them to stick by the hand loom while it will afford a subsistence, however poor. They are forced, therefore, to offer their services at a rate of wages which render them rather cheaper than those of the power loom; and which can continue only until some further improvement shall again have made the power loom a successful rival,

and the hand loom can be kept at work only at a still further reduction: and thus the unequal race continues, until the hand-loom weaver, finding the united wages of himself and of his family unequal to support life, is gradually ground out of the market, and forced to endeavor to find some other employment. Under the old Poor Law system, indeed, even the state of things which I have described need not have decided the matter, since the deficiency of the hand-loom weaver's wages might have been supplied out of the rates, and his parish taxed to prolong indefinitely a mischievous and hopeless contest.

I have already remarked that the influence on any given class of manufacturers of improved processes or superior natural advantages on the part of their rivals is generally gradual. But it is gradual only at its commencement. The general law of manufacturing industry is, as I have often explained, that *cæteris paribus* with every increase of the quantity produced the relative cost of production is diminished, and, what is the same thing, that with every diminution of production the relative cost of production is increased.*³³² The larger the production the greater is the division of labor, and consequently the skill of the workman, the smaller the expense of superintendence, the more extensive the use of machinery; in short, every element of production becomes relatively more efficient, and every source of expense is relatively diminished. Hence it is that the price of a manufactured commodity falls as the consumption of it extends. Hence also the difference between the sum at which a large contract can be made, and that which must be paid on a small one. A single pin could not be made for a shilling—when they are made by millions, a shilling can purchase them by hundreds.*³³³ The instant, therefore, that any given class of manufacturers begin to feel that their competitors are outstripping them—the instant they find that commodities similar to their own meet them in the market at a lower price—that instant they ought to know that they are engaged in a contest which, if its elements continue the same, must terminate ruinously. If they can change those elements, if they can adopt the processes of their rivals, or procure for themselves similar local advantages, they may, perhaps, regain their ground. But, if they are unable or unwilling to use these means, their relative inferiority must become more striking every year. The less they produce the greater will be the relative cost of the produce, while the more their rivals produce the less will be their relative cost of production. First comes a fall of profits,

next a reduction of wages, then irregular employment even at reduced wages, until the capitalist is ruined or forced to change his business, or the seat of his manufacture, and the workman must follow his example or be supported by charity.¹²

We find by experience, (says Mr. Gardner, a very intelligent manufacturer, examined by the Committee of the House of Commons to which I have already referred), that if we lose a market one year we lose it altogether. It is not well to trifle with trade: by trying experiments for only one year, we might shut ourselves out. Once in possession of the market they would keep it.—Question 2321.*²³⁴

5. Trade Unionism and Strikes. I now come to the fourth cause to which I have referred as influencing the demand for the labor of particular classes of laborers at a particular time and place, namely, *combinations*. I use this term in its common acceptance, as expressing combinations among workpeople for the purpose of regulating their wages or controlling their masters.

As the object of the combinations among workmen, of which I am now speaking, is the increase of their wages and the general improvement of their condition, and as they have adhered to them for many years, at the expense of great and widely-spread occasional suffering, at a sacrifice of individual liberty, such as no political despotism has ever been able to enforce, and with a disregard of justice and of humanity, which only the strongest motives could instigate, it may be supposed that combinations have been found to produce the benefits for which such enormous evils have been voluntarily incurred. I believe, however, that, with a few exceptions, the tendency of combinations has been precisely the reverse of their object, and that, as hitherto directed, they have led to the positive deterioration of the wages and of the condition of those who have engaged in them, and of the far more numerous body who are excluded from them.

Some combinations are mere agreements among large bodies of workmen as to their conduct in one or two particulars; others are associations for a temporary purpose, which terminate when the occasion has passed. The most numerous and most important are the permanent unions, separately formed in almost every trade, by comparatively small portions of the workmen employed in it. The affairs of the combination are managed by a committee, appointed directly or indirectly by the whole body—directly, where the constituent body is small, indirectly, where it is large; each factory or

shop, in the latter case, appointing delegates, who themselves elect the committee.

The committee, whether directly or indirectly elected, and whether appointed for temporary or for permanent purposes, appears always to exercise over all the members of the confederacy unquestioned power. For the purposes of detection, it is omnipresent; and for those of punishment, unlimited in power and in ferocity. It directs against any resisting workman the moral force of the public opinion of his class, and the dread of bodily sufferings more severe than those which any civilized tribunal inflicts. One of its duties is to lay down the regulations of the combination. Three rules are common to almost all combinations:—1st, that each member shall pay a certain weekly or monthly payment towards the expenses of the combination; 2dly, that no member shall work under a stated price; and 3dly, that no member shall work in company with any workman not a member of the combination, or for any master that disobeys its orders. To these are generally added, in the smaller unions:—1. laws to keep down the number of persons in the trade, by prohibiting the employment of those who have not served an apprenticeship, and by limiting the number of apprentices, either by confining each master to a given number, or by absolutely forbidding any one to be received as an apprentice unless he be a son, brother, or nephew of a journeyman; 2. laws either prohibiting piecework, and requiring every workman to be paid by the day, and at the same rate, or, where piecework is permitted, forbidding any workman to earn more than a given sum or to do more than a given amount of work in a day or a week; 3. laws prohibiting a master from discharging any workman without the consent of the whole body, and, in many cases, requiring him to take into his employment as new workmen those only whom the committee may choose to send to him. Some special regulations generally follow, adapted to the peculiarities of each trade, the object of the whole being to enable the combined body to fix the price of their labor and to escape the control of their master, or even to reduce him to subservience to themselves.

In every manufacture there are times when trade is bad, either from some accident affecting that manufacture specifically, such as a failure of its raw materials (as is the case with the spinners when there is a bad cotton crop), or a diminution of the demand for its produce (as was the fate of the makers of metal buttons when covered ones came into use and of buckles when shoe strings were

introduced), or from a general calamity, such as war, or a bad harvest which makes everybody comparatively poor and unable to buy. In such cases combinations are generally quiet. They cannot alarm their masters by threatening them with a strike, for the masters themselves are anxious to diminish or even suspend their operations, and often keep them up principally because they do not like to break up or materially reduce a good body of workpeople. But when trade is good, when customers are anxious to buy, when every port brings fresh orders, when manufacturers are enlarging their works,—putting in fresh machinery, and looking everywhere for additional hands,—the committees think that the masters are in their power and try to put their laws into execution. They begin by trying to induce or to frighten all their companions to become members of the combination. They insult and maltreat those who refuse, and require the master to discharge them. If he submit, they proceed to order him to raise the wages of his inferior men, and to lower those of his best workmen; they forbid him to pay by the piece; they forbid him to discharge any one for misconduct, or to take any fresh workman except those whom they may choose to send to him; and often they prohibit his using machinery, or materials which they think may enable him to do with less human labor.

If he refuses to submit, they command a *strike*: that is to say, they command all his workpeople to leave him, and enforce the command by beating and sometimes murdering those who disobey. If he attempt to supply their places by other persons, they beset his works and assault and drive away all who attempt to enter them; or, perhaps, allow them to go in and break their limbs or blind or kill them when they come out.

But, it may be asked, when there is a strike how are those who leave their employments supported? What becomes of their families? If the strike be a small one, if the workpeople of only one or of only one or two masters turn out, and if it last for only a few days, or even a few weeks, they are supported out of the wages of those who remain in the service of other masters. This is one of the purposes for which the combined workpeople are taxed often when a strike is contemplated. A fund is previously set apart out of their wages; and as strikes almost always occur when wages are high, a small military chest is provided without much difficulty.

But a strike sometimes extends to all the workpeople of hundreds of masters. There have been cases in which 30,000 or 40,000 persons

have turned out; and wages to the amount of £15,000 or £20,000 a week have suddenly ceased. And these great strikes have lasted for weeks, indeed for months. For a few weeks the funds of the union are able to give them a scanty maintenance. A family of five, who before the strike earned £2 10s. a week gets perhaps eighteen-pence a week per head. This may supply them with the poorest food—with potatoes, weak tea, and a little bread. But as the strike continues the funds of the union diminish. The eighteen pence a week sinks to a shilling, or to sixpence, or to nothing. They must pawn or sell their bedding, their furniture, and even their spare clothes. They must quit their cottage and sleep three or four families in one room—a family in each corner. The door of the factory is open to them, but they are afraid to enter it lest they should be attacked and, perhaps, murdered by ruffians hired by their tyrants. At length when the funds of the union are quite exhausted; when its numbers have been thinned by the diseases occasioned by crowding, bad food, dirt, and dispiritedness; and it has become clear that the masters will not yield,—the committee permit their slaves to give up their demands and to return to their work.

This is the history of an unsuccessful strike. But a successful one is generally still more mischievous, for its mischief is more lasting. The violent and tyrannical men who have acquired dominion over their fellow workmen and over their masters exercise it to the injury of both, though in different ways.

By reducing all to the level, by preventing any one from being rewarded for good conduct or discharged for bad conduct—by destroying all motives to exertion they ruin the energy, the industry, and the character of the workmen. By spoiling their workpeople, by forcing them to give extravagant law, and by interfering with the management of their businesses they make the trade of the masters unprofitable. Some are ruined, some turn all their capital into money; and others give up business or remove to America or to some part of the continent of Europe in which the wisdom of the people or the wisdom of the government, prevents such follies and crimes. But the workpeople remain. Some try to learn new businesses, some live on the charity of their friends, and some find a refuge in the poorhouse.

The present state of Ireland is a striking example of the effects of successful combinations. In all the trades in which it is necessary that much capital should be employed and many laborers act under

one master, the workpeople are united in combinations and the different combinations are united into unions. The combinations and unions have been completely successful. No one who ventures to disobey the orders of a committee is sure of his life for a day. This has been the case for forty or fifty years. And the consequence is that all these trades are ruined. Dublin was once a great ship-building port. Now no ships are built, and scarcely any are repaired there. The shipwrights' union has driven away to Liverpool or to London all the master shipbuilders whom it has not ruined. Two great canals were cut at a great expense. They would have enabled all the spare produce of the center of Ireland to be brought cheaply to Dublin for export. The combined workmen on the canals will not allow any one to be discharged for idleness, or for drunkenness, or even for theft. Therefore no one uses these canals who can help it, or sends by them anything that may be injured by the careless bargemen or stolen by the dishonest ones.

I called, (says Mr. Otway, one of the Assistant Commissioners for Inquiring into the State of the Hand-loom Weavers) on a manufacturer of high respectability, and the head of one of the oldest houses in the trade, who had previously (last May) given me evidence. He told me that since I had examined him, he had set up a hand-loom weaving factory for broad silks; had gone to England and expended a sum of £700 in purchasing Jacquard-loom of the best construction, and a machine for winding silk. He took me to see his factory. I found it the best arranged, and the most healthy and convenient factory I had ever seen; but out of upwards of 30 looms, only 12 were at work, and the winding-machine appeared never to have been used. I asked the reason of this; he told me, that when he had finished his arrangements there was a meeting of the body of the trade and that they had passed a resolution not to allow more than 12 weavers to work for him, and he was directed not, on any account, to use the winding-machine: "The consequence is, sir," (he continued) "that although I give the rate of wages fixed by the union, if I was to give £100 as an inducement, I could not get a thirteenth weaver to work for me. But this is not all; they passed another resolution forbidding the 12 weavers to pay me more than 1s. 6d. each for the use of the looms, though 2s. 6d. is the fixed price, when the manufacturer supplies a Jacquard-loom; and to-morrow there is to be a meeting of the trade to limit the number of weavers that they will permit to work for me to six. The other manufacturers are either afraid or unwilling to assist me to put down this combination. The consequence is, that after sustaining immense loss, I must withdraw from the trade. The silk-winders are so exasperated at my introducing a winding-machine, though

I never used it, that I dare not, even in the open day, walk through the liberty, the very women would pelt me with stones or mud."

The result is that scarcely anything to which great division of labor is applicable can be profitably made in Ireland. A few poplins, Mr. Guinesses's porter, and some linens are all her manufactured exports. As the productive powers of machinery, and of the division of labor are every day increasing in Great Britain, the number of commodities which Ireland must import because she cannot afford to manufacture them is constantly increasing. It is this that occasions *absenteeism* to be economically injurious to Ireland. When a Scotchman goes to London or to Paris his rents go to Paisley to purchase the exportable commodities which are to answer his bills. When an Irish landlord crosses St. George's Channel his rents follow him in the form of cattle or oats or some other raw produce, and a portion of the produce of Irish land which would otherwise be consumed in Ireland is consumed in England. If Ireland exported manufactures she might care no more about absentees than Scotland does. If, as now seems to be probable, the insecurity of the rural districts of Ireland should cease, English capital will be invested in Irish land; but the great source of civilization—manufacturing capital—will still shun a country in which, as respects the manufacturing population, the whole power, both legislative and executive, is in the hands of self-appointed rulers as ignorant, as ferocious, and as despotic as the petty tyrants of Ashantee.¹³

In the following [chapter] I shall consider the effects of the other great regulator of the price of services, the limitation of their supply.* 335

CHAPTER III

MONEY WAGES AND THE SUPPLY OF SERVICES

1. Attractiveness of Occupation. 2. Facility of Engaging in Business. 3. Employment of Women and Children.

1. Attractiveness of Occupation. I now proceed to consider the principal causes which influence the supply of labor in [any employment]. These causes are—first, the attractiveness of the business; secondly, the facility of engaging in it; and thirdly, the employment which it affords, either in the main labor itself, or in occupations subsidiary to it, to the wife and children of the workman.

I will first consider the [influence of] attractiveness.* ³³⁶ The act of laboring implies a sacrifice of ease, and it is chiefly to this sacrifice that our attention is directed when we speak of wages as the remuneration for labor. But the indolence which generally disposes to severe or long-continued bodily exertion is not in all cases the only feeling which the laborer has to conquer. His employment may be dangerous, or physically disagreeable, or degrading. In any of these cases his wages are the reward not only of the fatigue but of the hazard, the discomfort, or the discredit which he has encountered. Adam Smith, however, has remarked that—

the distant prospect of hazards, from which we can hope to extricate ourselves by courage and address, is not disagreeable to us, and does not raise the wages of labor in any employment. The dangers and hairbreadth escapes of a life of adventures, instead of disheartening young people seem frequently to recommend a trade to them. It is otherwise with those in which courage and address can be of no avail. In trades which are known to be very unwholesome, the wages of labor are always remarkably high.¹⁴

Unwholesomeness, indeed, is generally united to other disagreeable circumstances. Dirt, deleterious atmosphere, exposure to continued heat or cold, or to sudden transitions from the one to the other, which are the principal causes of unhealthiness in any business, are also the principal causes of its being generally disagreeable. When toil, disease and discomfort are all to be encountered, the

temptation must indeed be high. But this union is not universal. The trade of a house painter is one of the most agreeable, and one of the most unwholesome, among ordinary occupations. On the other hand, that of a butcher, though brutal and disgusting, is eminently healthy. The wages of each are, I believe, about equal; and considerably exceed the remuneration for the mere labor undergone, which, in fact, is in both cases very trifling. But the fear of popular odium, and, what is always strongest among the least educated, the fear of popular ridicule, as they are amongst the most powerful feelings of our nature, are the most effectual means by which the wages of an employment can be increased. To Adam Smith's instance of a public executioner may be added that of a common informer, both of whom are remunerated at a rate quite disproportioned to the quantity of work they do. They are paid not so much for encountering toil as for being pelted and hissed. The most degrading of all common trades, perhaps, is that of a beggar; but when pursued as a trade, I believe it is a very gainful one.

Such appears to be the influence upon wages of danger, discomfort and disgrace. And it may be supposed that any peculiarly agreeable employment is generally as comparatively underpaid as peculiarly disagreeable ones are overpaid. Adam Smith has accordingly remarked that in a civilized society hunters and fishers, who follow as a trade what other people pursue as a pastime, are generally very poor people.

Fishermen (he observes) have been poor from the times of Theocritus. The natural taste for these employments makes more people follow them than can live comfortably by them; and the produce of their labor, in proportion to its quantity, comes always too cheap to market to afford anything but the most scanty subsistence to the laborers.

Hunting, however, can scarcely be said to exist as a trade in any well-civilized country. And I doubt the accuracy of Adam Smith's statement as to fishermen; unless, as perhaps was the case, he intended to confine them to the small number of anglers and poachers on rivers, who do in fact follow as a trade what other men enjoy as a pastime. Marine fishery is a business of too much toil and hardship to be very attractive; and if any proof, besides the well-fed persons and ample clothing of the men and their families were required, of its being well paid, it would be found in the fact that the capital employed in it, which is far from inconsiderable, generally belongs to the fishermen themselves.* ³³⁷

2. Facility of Engaging in Business. [With reference to the second of the principal causes affecting the supply of labor, namely, the facility or the difficulty of mastering a profession, it is necessary to subdivide laborers into more or less homogeneous groups], and I have felt considerable doubts as to the most convenient principle of classification. The most obvious classification is according to the material on which the laborer works; but for [general] purposes, this would be found to be almost an arbitrary division. I have [therefore], thought it best to classify them according to the comparative degree of strength and skill required by their work. According to this principle they may be divided into four classes.

- a. Where little strength or skill is required.
- b. Where the principal requisite is moderate skill.
- c. Where the principal requisite is strength.
- d. Where both strength and skill are requisite, or an unusual degree of skill.

I do not mean to imply that these are the only elements which decide what shall be the comparative wages of different classes of workmen. But they are the elements which decide in the absence of disturbing causes; their influence is therefore constant, and though often interrupted, and frequently even overborne, it will in general ultimately prevail.* ³³⁸ [Thus, it has been definitely ascertained that] the lowest wages are found among the hand-loom weavers whose business requires the least strength or skill; that their wages are generally somewhat better when rather more skill though not much strength is required, and better still where the strength of an able-bodied man is necessary; and that the highest wages are paid where the fabric requires both skill and strength, or unusual skill, though the irregularity of the demand for such fabrics may keep down the average annual income of the workman.* ³³⁹

3. Employment of Women and Children. [I now] proceed to the third of the principal causes that tend to increase the supply of laborers [in any trade]; namely, the employment which it affords either in the main labor itself, or in occupations subsidiary to it, to the wife and children of the workman.

It may be laid down as a general rule, that occupations in which the labor of women and children bears a large proportion in value to that of able-bodied men, are in peculiar danger of being encumbered by a supply of labor, increasing in a greater proportion than

the demand for it. In most of these employments, perhaps I might say in all of them, it will be found that about the age of 19 or 20 the workman's wages are as high as they can ever be expected to be. If the earnings of a girl of the same age are nearly equal, and that is often the case, marriage is to both of them an immediate pecuniary gain, as their united income will go further than the separate income of each. Under such circumstances it is vain to hope that it will be deferred,¹⁵ unless under the influence of prudence, produced by very considerable moral cultivation, or of long established traditional rules of conduct. During the interval between the birth of the first child and its being able to earn a subsistence, the income of the family is reduced by the interruption of the wife's work, while the expenses increase; and unless the business afford high wages—a rare and never a permanent state of things—distress (greater or less in proportion to the good or bad management of the parties, the prosperity of the trade, and the number of children), must ensue. But as each child becomes successively capable of profitable employment, it is so employed,—in many branches of handloom weaving at the age of six years, or even younger. Of course this precocious employment is injurious¹⁶ to the intellectual and moral education of the child; in many cases altogether prevents it; and the family grows up a set of human machines, with no futurity but that of treading in their parents' steps, marrying before they are adult, and giving birth to an equally degraded progeny.

Such a state of things produces a rapidly increasing population, confined by ignorance, by habit, and generally by poverty—chains as strong as those of caste in Hindostan—to their own occupation. If that occupation be sufficiently expansive to receive the crowds that are pressing into it, the proportion between the supply of labor and the demand for it may be preserved. Such appears to have been for many years, and (though with occasional interruptions) still continues to be the case with the cotton-spinning trade in Great Britain. Notwithstanding the early marriages, the large families, and the consequently great internal increase of the workpeople employed in it; notwithstanding the great addition to their numbers from the immigration of the Irish, and of those who have quitted other businesses, the great extension of the trade has kept the demand for labor equal to this vast supply; and no permanent fall of wages has as yet taken place.

But this is a rare, perhaps a solitary case; and I entertain fears, anxious in proportion to the importance of the danger, as to its

continuance. In every other business admitting the labor of women and children on nearly equal terms with that of men, although the demand for labor has often progressively increased, it has failed to keep pace with the still more rapidly augmenting supply.¹⁷ With a few exceptions, almost every branch of hand-loom weaving is exposed to this depressing influence. In weaving all the fabrics in which little strength and no great skill are required, boys and women, and even girls, are nearly on a par with adult men; and in those which require for the actual weaving a degree of strength or skill possessed only by men, the subsidiary processes, in the preparation both of the warp and the weft are a source of considerable profit to the wife and children of the weaver.* ³⁴⁰

In the occupations which require only the skill and strength of women and children, the average wages of women and children are the utmost that can be permanently expected. The man who devotes himself to such work abandons all advantage from his superior powers, and must be content to receive the wages of a woman or of a child. Such occupations, and many branches of hand-loom weaving are such, may afford, as they do in Switzerland and in other parts of Europe, useful additions to the general income of a family, the head of which devotes himself to manly work; but, if they are the only resource, it will generally be a miserable one. Again, a business for which the ordinary strength of a man is required, but the necessary skill is easily obtained, is likely, unless it be peculiarly disagreeable in itself, to become the usual resort of unemployed laborers. Many kinds of hand-loom weaving require no more skill than can be acquired in a few months, or even weeks, and so far from being disagreeable, they enjoy a freedom from restraint and from exposure to the seasons, which renders them peculiarly attractive. In an old community, especially in one in which large bodies of persons are dependent on the accidents of commerce, the number of those whom their own misconduct or misfortune, or that of their employers, has deprived of their usual work, will always be large; and the business into which they usually crowd must be overstocked with hands. No conduct on the part of those engaged in it can prevent it from being at the bottom of the scale.¹⁸ It can improve only under the influence of causes which raise the condition of the whole body of laborers.* ³⁴¹

CHAPTER IV

REAL WAGES AND THE EXTENT OF PRODUCTION

1. John Stuart Mill's Theory of Wages. 2. The Productivity of Labor and the Standard of Living. 3. The Rate of Wages and the Price of Provisions.

1. John Stuart Mill's Theory of Wages. Wages depend (says Mr. Mill¹⁹) on the proportion between the number of the laboring population and the capital or other funds devoted to the purchase of labor; we will say for shortness, the capital. If wages are higher at one time or place than another, if the subsistence and comforts of the class of hired laborers are more ample, it is and can be for no other reason than because capital bears a greater proportion to population. Their condition can be bettered in no way but by altering that proportion to their advantage; and every scheme for their benefit which does not proceed on this as its foundation is, for all permanent purposes, a delusion. Though capital should for a time double itself simultaneously with population, if all this capital and population are to find employment on the same land, they cannot, without an unexampled succession of agricultural inventions, continue doubling the produce; therefore, if wages did not fall, profits must; and when profits fall, increase of capital is slackened. Besides, even if wages did not fall, the price of food would, in these circumstances, necessarily rise; which is equivalent to a fall of wages.

Except, therefore, in the very peculiar cases which I have just noticed, of which the only one of any practical importance is that of a new colony, or a country in circumstances equivalent to it; it is impossible that population should increase *at its utmost rate*, without lowering wages. Nor will the fall be stopped at any point, short of that which, either by its physical or its moral operation, checks the increase of population. In no old country, therefore, does population increase at anything like its utmost rate; in most, at a very moderate rate; in some countries not at all. These facts are only to be accounted for in two ways. Either the whole number of births which nature admits of, and which happen in some circumstances, do not take place; or, if they do, a large portion of those who are born, die. The retardation of increase results either from mortality or prudence; from Mr. Malthus's positive, or from his preventive check: and one or the other of these must, and does exist, and

very powerfully too, in all old societies. Wherever population is not kept down by the prudence either of individuals, or of the state, it is kept down by starvation or disease.* ³⁴²

[Mr. Mill] has not defined the word *wages*. This is inconvenient as it is used in different senses, and it is sometimes only by the context that we can discover the meaning which he affixes to it. In some passages by wages [he] means *money* wages. He certainly does so when he says ²⁰ that dear or cheap food, caused by the variation of the seasons, does not affect wages; for it obviously does affect the quantity or the quality of commodities obtained by the laborer; and when he admits ²¹ that, under certain circumstances, the laborer would be enabled with the same wages to command greater comforts than before. But when in [the above quotation] he treats high wages and the more ample subsistence and comfort of the class of hired laborers as identical, he must mean *real* wages. For it is on his real wages, that is to say, on the quantity and quality of the commodities destined to his use, not on his money wages, that his subsistence and comfort depend. This again is the only sense in which it is true, that, "except in a new colony or a country in circumstances equivalent to one, it is impossible that population should increase at its utmost rate without lowering wages." For if very productive supplies of the precious metals were discovered, it certainly is possible that population might increase at its utmost rate for an indefinite time, without lowering money wages. In future, when I use the word wages without explanation, I shall mean the quantity and quality of the commodities earned by the laborer in a given time.* ³⁴³

2. The Productivity of Labor and the Standard of Living. Mr. Mill's treatment of wages has one defect. Having stated, truly, that wages depend on the proportion between the number of laborers and the extent of the fund appropriated to their use, he considers at great length the causes affecting the number of laborers, but leaves almost unnoticed, at least in this place, those affecting the quantity and quality of the fund appropriated to their use. This, however, is a very important and a very difficult inquiry. Without attempting to exhaust it, I will give a brief indication of some of its principal points.

The extent of the fund for the maintenance of labor depends, in the first place, on the productiveness ²² of labor in the direct or indirect production of the commodities used by the laborer; and, in

the second place, on the proportion of the number of persons directly or indirectly employed in the production of things for the use of laborers to the whole number of laboring families. The productiveness given, it depends on the proportion. The proportion given, it depends on the productiveness. If we suppose two communities each containing 100 laboring families, if in each country 75 are employed in producing commodities for the whole number, and 25 work for the benefit of a master, the comparative wages in each must depend on the productiveness of labor. If in the one a year's labor of one family produces commodities for laborers which we will call four quarters of wheat, and in the other only two quarters, wages will be three quarters in the one, and only one quarter and a half in the other. But if in each community a year's labor produces four quarters of wheat, but in the one seventy-five are employed for the benefit of the whole number, and in the other only fifty, wages will again be three in the one and only two in the other. I say directly or *indirectly* employed, because, in a commercial country, a large portion of the commodities used by laborers is obtained indirectly by exchange. A Nottingham lace maker does not directly contribute to the stock of commodities constituting wages, since no laboring man uses lace; but he does indirectly so far as that lace is exported in exchange for sugar or tobacco for his use.

The causes which promote the productiveness of labor consist of (a) the personal character of the laborer,—his corporeal, intellectual, and moral qualities; (b) the degree in which he is assisted by capital; and (c) the degree of freedom with which he is allowed to direct his industry.* ³⁴⁴

[The last two causes have already been discussed at length in former chapters. ²³ As regards the personal traits of the laborer]—his diligence, his skill, and his strength of body and mind—these depend on causes, many of which are imperfectly understood; and others are too complicated to admit of a concise explanation, or to be fully considered without entering into investigations connected indeed with political economy, but not within its peculiar province. Much may depend on race and on climate; much more depends on religion, education, and government.* ³⁴⁵

To some countries nature has refused the means of supporting human life; to others she has refused the means of wealth. No exertions would enable a community to exist long on Melville Island, or in the deserts of Africa, or to exist comfortably in Greenland or Nova Zembla. But though nature can deny riches, she can-

not give them. The finest districts in the world are among the poorest.²⁴ The laboring population of Sicily is among the most miserable in Europe; that of Norway among the most prosperous. But what comparison is there between their natural advantages? With all the brute and inanimate sources of wealth profusely scattered before them the inhabitants of the greater part of Africa, America, and Asia want the moral and intellectual qualities—[the industry and abstinence]—by which the raw materials of wealth must be worked up.* ³⁴⁶

One cause only I shall slightly dwell on, because it is simple, and has not been sufficiently considered by any writers except M. Quetelet²⁵ and Sir F. D'Ivernois²⁶ and that is, the mean age of the laboring population. This depends partly on the average duration of life in a country, and partly on the rate at which its population is increasing.²⁷ In England, the average duration of life is supposed to amount to about forty-four years. In many countries it does not reach thirty-five; in some it does not attain twenty-five. Again, in some countries the population doubles every twenty-five years. At the present rate of increase in England it would double in about fifty. The average period of its doubling throughout Europe is supposed to be about a century.

Now it is obvious that the number of persons and the rate of increase in any two countries being given, that country would have the greater number of adults in which the average duration of life was the longer; and, the longevity being given, that country would have the greater proportion of adults in which the rate of increase was the slower. Longevity, and a population stationary or slowly increasing, are therefore favorable to the productiveness of labor.* ³⁴⁷

[It may be said that no change in the productive power of labor could have more than a temporary effect on wages, since the resulting increase or diminution in the supply of the necessities of life would ultimately be neutralized by a proportionate rise or decline in the number of working people.] But the general proposition that such is the overwhelming influence of the principle of population, that no increase in the supply of provisions can permanently benefit the laboring classes, I believe to be absolutely false. That proposition owed its origin to some expressions of Mr. Malthus,²⁸ not sufficiently qualified by him, and repeated in a still more unqualified form by many of his followers. It owed its currency to the relief which it afforded to the indolence and to the selfishness of the superior classes. But it is contradicted by the

evidence of all experience. The history of every civilized nation shows that, in the absence of disturbing causes, every increase of the means of subsistence is followed by an increase of population, but not in the same proportion. It is thus, in fact, and thus only, that civilization can advance. Its advance may be stopped by foreign or civil war, or by partial or foolish legislation, and it may be retarded by an increase of population, which may prevent the laboring classes from enjoying the full benefit of an increase of the means of subsistence; but that, under any institutions which the present state of knowledge would sanction, an increase of the supply of food would be followed in Great Britain by such an increase of population as to destroy its whole benefit, I believe to be totally impossible.

On the other hand, the natural tendency of a diminished supply of provisions, or of a supply not increasing with the wants of the population, is not to raise their wages, but to deteriorate their habits. The price of wheat is nearly the same in Ireland as in England, but the consequence is, not that the Irishman's wages rise, but that he is clothed in rags and subsists upon potatoes. Where provisions are cheap and [money] wages high, as in the United States of America, the laborer eats meat; where both are high, as in England, he eats wheaten bread; where wages are low and the inefficiency of labor renders the better sorts of food comparatively dear, as in Ireland and in a great part of the continent of Europe, he lives on the lower cerealia or on potatoes.* 348

[This brings us to the next question, namely, the relation between commodity prices and wages, which I shall now consider at some length.]

3. The Rate of Wages and the Price of Provisions. [According to the popular doctrine, cheap commodities are supposed to be incompatible with good wages, since a low price of provisions is said to have a tendency to diminish wages.] Such an error it is easy to refute directly. For this purpose it is necessary only to remind the reader, that wages depend on the supply, on the one hand, of labor, and, on the other hand, of the commodities intended for the use of the laborer. If the supply of the commodities intended to be used by the laborer is diminished, [*i. e.*, if commodity prices are increased] he is forced to work more hours for the same wages; to send his children, and perhaps his wife, to the factory—in short, to increase the supply of labor. If the supply of those commodities be increased, [*i. e.*, if commodity prices decline] he can support him-

self by less exertion; he can keep his wife, and perhaps his eldest girl, at home—in short, he can diminish the supply of labor, and he does so. All this is clearly stated by Mr. Milne, Mr. Wood, Lord Mansfield, and Lord Lauderdale, in the evidence taken by the Committee of the House of Lords on Grain and the Corn Laws in 1814. I extract a portion of Mr. Milne's evidence—the evidence of a man of great practical experience, both in agriculture and in manufactures.

Can you state to the committee the effect, as far as your observation has gone, of the rise or fall of grain on the value of agricultural labor in Scotland?

In Scotland, both agricultural labor and manufacturing labor are considerably affected by the rise and fall of grain and provisions. I have always considered, that when grain and other provisions rose, both manufacturing and agricultural labor fell; on the contrary, when provisions and grain fell, manufacturing and agricultural labor rose. The reason is obvious. Supposing there are in any one parish 100 laborers, who are able to do the work of that parish: if provisions rise, those laborers will do double work; of course, there being only a certain demand for labor, the labor falls: if provisions, on the contrary, fall, those laborers do much less work, probably not one-half; you must, therefore, seek more laborers; this makes a demand for labor, and labor rises.

When you say that the laborer will do double work, do you not mean that the rise in the price of grain, and the difficulty of obtaining the same quantity, will urge him to do such a quantity of work as will enable him to have the usual enjoyments?

Certainly; and very often it does further than that, that he does too much work, and works beyond his strength, when grain is very high; at other times he is idle, when grain is low.

Can you state to the committee any particular instance of agricultural work that you may have contracted for, in a dear year and a cheap year?

I can state a very strong instance that happened to myself last year. I wished to enclose a farm at the latter end of the year 1812, or the beginning of 1813; I sent for my bailiff, and told him that I had enclosed, about five-and-twenty years ago, a good deal of land; that the enclosure at that time cost me 3s. per ell of 37 inches; that a neighbor of mine, two or three years ago, had made similar enclosures, which cost him 5s. per ell; that I thought he had paid too much, and that I ought to have it cheaper:—the answer I got from my bailiff was, that provisions were very high, that the laborers were doing double work, and that of course there was less demand for labor, and that he could do those enclosures last year at a cheaper rate than I had ever done them, and he actually executed this enclosure at half-a-crown an ell. He again came to me, and told me that

I had proposed to him to do some ditching and draining upon another farm, which I did not intend to do till about a twelvemonth after, from the circumstance of not being fully in possession of the whole farm; he requested I would allow him to do it that season, as he could do it so much cheaper, and that a great many laborers were idle from having a little work, in consequence of those who were employed doing double work; I desired him to go on with that labor likewise, and he actually contracted for very large ditches at sixpence an ell, which I do not think I could now do under from one shilling to eighteenpence, in consequence of the fall in provisions.

Can you give the committee any information respecting the effect of the price of provisions on manufacturing labor?

When provisions are likely to fall, I have always been in the habit of giving orders to look out for more hands, imagining that more hands would be wanted to do the same quantity of labor; and when provisions got high, I never had much fear of getting plenty of hands, because they did more work.

It may be said, however, that these are only temporary and immediate results, and that ultimately the supposed accordance between corn and wages would show itself. Has it shown itself in Ireland, where wages are one-third of the English prices [rates], and corn is cheaper only by the expense of transport? Has it shown itself in the United States, where labor is worth a dollar a day, and wheat 40s. a quarter? But it may be asked, must not the laborer live? Of course he must; but not necessarily on corn. He may rise to meat, or sink to potatoes. Increase the supply of provisions, and he will live better. Add to that increase, improved trade and more regular employment, and he will live better still. Diminish the supply of provisions, and he will live worse. Increase the evil by a diminishing trade and irregular employment, and he will live worse still. But with the example of Ireland on the one side, and of America on the other, never talk of the "fallacy of cheap bread"; or of "wages rising and falling with the price of corn."

On a matter, however, of such importance, it may be proper not merely to refute the error, but to show the causes which have occasioned able men [such as Mr. Gladstone and Lord Mahon] to be entangled by it. The first and great cause probably is the fact, that high wages and a high price of provisions, and low wages and a low price of provisions, are in most countries coexistent; so a man who lives in a palace is generally wealthy, and a man who lives in a cottage is generally poor. But it would be rash to infer that wealth is occasioned by inhabiting a palace, or poverty by dwelling in a

cottage. A high price of corn is not the cause, but the effect of high wages, and a low price of corn is not the cause but the effect of low wages; just as a palace is the result, not the cause of wealth, and a cottage is the result, not the cause of poverty.

No principles are better established—no principles, indeed, are more trite—than that the general price of corn must correspond with the price of that portion of the whole supply, which is regularly furnished at the greatest expense; and that the price of that portion consists entirely of the wages of the laborers who produce it, and the profits of the farmers who advance those wages. If the wages of a laboring family in one country are £40 a year, and profits are ten per cent, the corn raised by that family's labor during a year must sell for £44. If in another country wages are £20 a year, an equal quantity of corn raised by the same labor may be sold for £22. Halve wages in the former country, and double them in the latter, and prices will at least be reversed.

Again, in every corn-eating country, the great consumers of the corn are the laborers themselves. If [money] wages rise, the principal commodity on which their wages are expended has a double tendency to rise; first, because it costs more to produce it; secondly, because the fund for purchasing it is increased, [in other words, the effective demand is greater]. If wages fall, the principal commodity on which wages are expended has a double tendency to fall; first, because it costs less to produce it; and secondly, because the fund for purchasing it is diminished, in other words, the effective demand is smaller]. As a general rule, it may be laid down, that high wages produce a high price of provisions, and low wages a low price of provisions; just as wealth is the cause of good clothes, and poverty is the cause of rags.

The principal exceptions to this rule are, the case of a fertile inadequately peopled country, in which the productiveness of agricultural labor makes up for its high price; and the case of a country in which corn is raised, not for the use of the laborer, but for that of the more opulent classes, or for exportation. In such a country as the valley of the Mississippi, though labor is dear, corn may be cheap, because little labor will produce a large quantity; in such a country as Poland, though labor is cheap, corn may be dear, because it will fetch a high price in England. A third exception might be afforded by an opulent manufacturing and commercial country, which should choose to purchase with the produce of its skill, its machinery, and its capital, the corn grown by the cheap

labor of its less advanced neighbors, or from the fertile lands of less densely peopled regions.

Two accidental circumstances have concurred, the one in England, the other both in England and Scotland, to give currency to the error which I have been exposing. One was the maladministration of the unreformed English poor law. In the pauperized districts—and there were few agricultural districts uninfected by pauperism—wages and employment were not a matter of contract, but of right, on the part of the laborer, and of duty on the part of the farmer or the overseer. The laborer was treated like a slave, paid not according to his services but his wants, and entitled not to a certain sum of money, but to the money, whatever were its amount, which would purchase a certain quantity of bread for each member of his family. Of course, under such a system the expense to the farmer of his plowmen, and of the horses which his plowmen drove, was governed by the same causes. The wages of one rose and fell with the price of bread; just as the keep of the other rose and fell with the price of hay. Even now, though the scale has disappeared, its traces remain. The laborer with a family accustomed to wheaten bread, when its price rises beyond his means at his usual [money] wages, threatens to enter the workhouse unless his wages are raised. The farmer is frightened at the probable increase of rates and submits; and infers that wages depend on the price of fine wheaten bread.

The other circumstance which promoted the error in question was the depreciation of the currency during the Bank Restriction Act. While the pound sterling gradually sunk till it was worth only 14s., of course, both [money] wages and provisions had a tendency to rise; and, so far as that common cause affected them, to rise in precisely the same proportions. They did not, indeed, rise in the same proportions; as provisions were enhanced by a series of seasons the most calamitous on record, and by the obstacles opposed by the war to importation. In any ordinary state of things, wages would therefore have had a tendency to fall; but the stimulus given to trade and manufactures, by our enjoying the monopoly of the world, prevented their fall, and the alteration of the standard in which they were estimated gave them the appearance of rising. Every rise in the price of provisions, therefore, was followed by an apparent rise of wages; and among those who were ignorant of the real circumstances of the case, that is to say, among 999 out of every 1,000 persons, the two ideas became connected as cause and effect.* 349

Another source of error has been the theory that the minimum of subsistence ²⁹ is the natural rate of wages, and that the principle of population will prevent wages from rising permanently above that minimum—a theory which I utterly repudiate. It is not true that there is in every trade a stratum of workmen whose wages, in ordinary years, are equal only to their necessary expenditure. Take coachbuilders, shipwrights, carpenters in general, masons,—all trades, in short, requiring skill or strength, and [it will be found that] the ordinary wages of the worst hands [are] considerably above their *necessary* expenditure. In such trades there is not a pretense for saying that an increased price of provisions has a tendency to raise wages. It only diminishes the workman's comforts. Even in the worst paid trades, such as the easy branches of hand-loom weaving, the laborer almost always receives more than enough to keep him and his family in the coarsest food. They might, and in dear years do, sink to potatoes.

A permanent increase of the price of provisions must either reduce the laborer to proportionate lower food, in which case wages would not rise; or induce him to work more, in which case they might fall from the increased supply of labor; or reduce the number of laborers by retarding marriages and rendering them less prolific of adults, and thus raise wages by diminishing the supply of laborers—[assuming, of course, that there is no influx of immigration in the meantime]. This would take seventeen or eighteen years. But the immediate effect certainly would not be a rise of wages, and might be a fall.

The question is complicated by causes which, [as I have previously observed], affect both provisions and wages in the same direction, such as alterations in the denomination of the currency. If the mint price of gold were £7 15s. 9d. an ounce, both provisions and wages would be doubled in price. So if the value of British labor in the foreign market were to be doubled, in which case it would be as easy to procure two ounces of gold as it now is to procure one, wages and home-grown provisions would also double in price. So if we were to lower the denomination of our currency, or were to lose a great part of our foreign trade, or our superiority over the foreign workman, wages and home-grown provisions would both fall. To a certain degree each of these four events has occurred in the present century.* ³⁵⁰

CHAPTER V

REAL WAGES AND THE MODES OF CONSUMPTION

1. Allocation of Produce for the Use of Landlords: the Theory of Rent. 2. Allocation of Produce for the Use of Capitalists: the Theory of Profit. 3. Allocation of Produce for the Use of Government: the Theory of Taxation. 4. Effects of Income Taxes on Capital and Labor.

1. Allocation of Produce for the Use of Landlords: the Theory of Rent. If all laborers were employed in the production, direct or indirect, of commodities for their own use, the rate of wages would depend solely on the productiveness of labor.* ³⁵¹ Since a very large portion of the laborers of every civilized community is employed in producing not for their own use, but for others, [it is necessary to consider] the causes which affect the proportion of persons employed in producing commodities for the use of laborers to the whole number of laboring families. The purposes to which their labor may be thus diverted are three: [a] production for the use of the landlords of the country; [b] for the use of the capitalists; and [c] for the use of the government. In other words, instead of producing what is to be consumed as wages, they may be employed in producing what is to be consumed as rent, as profits, or as taxes.

The first of these employments, however, when not the result of a scarcity occasioned by oppressive or fraudulent legislation, does not really diminish the fund distributed as wages. Rent ³⁰ is the creation of some appropriated natural agents of extraordinary productiveness. The laborers employed by the owners of these natural agents draw their subsistence, therefore, not out of the common fund, such as it would be if no such natural agent existed, but wholly out of the extra fund arising from its existence. If with the growth of rent a corresponding population to be employed by it has grown up, it neither increases nor diminishes the fund for the maintenance of laborers. If such a population has not grown up, rent increases that fund.* ³⁵²

[This view of rent, as the reader will perceive, is not in accordance with the established doctrine.]

Nothing is more common [says Mr. Ricardo] than to hear of the advantages which the land possesses over every other source of useful produce, on account of the surplus which it yields in the form of rent. Yet, when land is most abundant, when most productive, and most fertile, it yields no rent; and it is only when its powers decay, and less is yielded in return for labor, that a share of the original produce of the more fertile portions is set apart for rent. It is singular that this quality in the land, which should have been noticed as an imperfection, compared with the natural agents by which manufactures are assisted, should have been pointed out as constituting its peculiar preëminence. If air, water, the elasticity of steam, and the pressure of the atmosphere, were of various qualities; if they could be appropriated, and each quality existed only in moderate abundance, they, as well as the land, would afford a rent, as the successive qualities were brought into use. With every worse quality employed, the value of the commodities in the manufacture of which they were used would rise, because equal quantities of labor would be less productive. Man would do more with the sweat of his brow, and nature perform less; and the land would be no longer preëminent for its limited powers.

If the surplus produce which the land affords in the form of rent be an advantage, it is desirable that every year the machinery newly constructed should be less efficient than the old, as that would undoubtedly give a greater exchangeable value to the goods manufactured, not only by that machinery but by all other machinery in the kingdom; and a rent would be paid to all those who possessed the most productive machinery.

The labor of nature is paid not because she does much, but because she does little. In proportion as she becomes niggardly in her gifts, she exacts a greater price for her work. Where she is munificently beneficent she always works gratis.³¹

Mr. Ricardo ³² seems to have forgotten that the quality which enables land to afford rent, namely, the power of producing the subsistence of more persons than are required for its cultivation, is an advantage, and an advantage without which civilization could not have taken place. As the population of any given district becomes more dense, the power of land to afford a surplus continually increases either because the increase of agricultural skill and capital increases its positive fertility, or because a diminution of its relative fertility—a diminution of its produce relatively to the number of its cultivators—forces the poorer classes to be satisfied with a less amount of raw produce, or from both those causes combined. Of these two causes of rent, one is a benefit, the other an evil. That we have in this country perhaps a million of acres capable of producing, with average labor, forty bushels of corn an

acre, is a benefit; that we have only a million such acres is an evil. To produce rent both the benefit and the evil must coexist. The one occasions rent to be demanded, but it is the other which enables it to be paid.

Mr. Ricardo's attention seems to have been confined to the evil. But rent might be enormously increased without any increase of that evil, or even though that evil should be diminished. If we could suddenly triple the productive powers of the land in this country, the population remaining the same, the whole amount of rent would fall, and the condition of all classes, except of that comparatively small class which subsists on the rent of land, would be much improved. But if our population were also tripled, rents would be prodigiously increased, the situation of the landlords would be exceedingly improved, and that of no other class deteriorated. In fact, the condition of all other classes would be improved, as the increased division of labor, and ease of communication occasioned by a greater density of population would cheapen and improve our manufactures. If the population, instead of being tripled, were only doubled, the situation of the country would be still better. The rise in rent, though not equal to what it would have been if the population had been tripled, would still be very great, and both raw produce and manufactures would be more abundant than they were previously.

Now this is, in fact, what *has* occurred during the last 130 years.³³ Since the beginning of the 18th century the population of England has about doubled. The produce of the land has certainly been tripled, probably quadrupled. Rent has risen in a still greater proportion; but that rise has been accompanied by a rise of wages, estimated in every commodity consumed by the laborers, excepting a few, such as spiritous and fermented liquors which have been made the subjects of special taxation. With the same labor the laborer can obtain more corn, and perhaps five times as much of the most useful manufactures. Can it be fairly said that rents have risen because nature has done little? that the price paid for her assistance has been increased because she has become more niggardly in her gifts? ³⁴ It is true that, if the productiveness of the land, instead of being tripled had been centupled, rents might not have risen; but it is equally true that they would not have risen if, instead of being tripled, it had remained stationary.

It appears to me, therefore, [as stated already in the second paragraph of this section], that the whole fund for the maintenance of

labor is not necessarily diminished in consequence of a considerable portion of the laborers in a country being employed in producing commodities for the use of the proprietors of the natural agents in that country. Such laborers exist only in consequence of the existence of natural agents of extraordinary productiveness. They draw their subsistence not from the common fund, such as it otherwise would be, but from the addition made to that fund by that extraordinary productiveness.

Of course, when I speak of rent as beneficial, I must be understood to mean only that rent which arises when the increased productiveness of the land enables the means of subsistence, at least, to keep pace with the increase of population. I stated in a former [chapter] ³⁵ that, in the absence of disturbing causes, subsistence may be expected to increase in a greater ratio than population. But, as I before remarked, it certainly is possible, and perhaps, under the influence of superstition and misgovernment it is probable, that the number of inhabitants in a country might increase without a commensurate increase of the means, direct or indirect, of obtaining raw produce. Under such circumstances rents would rise, and labor, which, if the population had remained stationary, would have been employed in the production of commodities for the use of laborers, would now be employed in producing commodities for the use of landlords. A rise of rent so occasioned would of course be detrimental to the mass of the community. Still more detrimental is the rent, if it can be called rent, which may be forcibly created by the efforts of government to limit the bounty of nature. It is possible that, if we had continued to prohibit the corn of Ireland, the incomes of English landlords might have been increased. So, if no coal were allowed to be burnt, except the produce of a single colliery, the possessor of that colliery would enjoy a princely revenue. But the gain from such a monopoly is not strictly rent; it is extortion and robbery.* ³⁵³

2. Allocation of Produce for the Use of Capitalists: the Theory of Profit. The proportion which the number of laborers employed for the benefit of capitalists bears to the number of those employed for the benefit of laborers—in other words, the proportion of profit to wages—depends on two causes: first, on the rate of profit for a given period of advance; and secondly, on the average period of advance.³⁶ And these are generally antagonistic causes. Where capital compared with laborers is scanty the rate of profit is generally high, but the period of advance short. In rich countries the

rate is low, but the period long. If in China the average rate be thirty per cent per annum, and the average period of advance one year, a commodity on which £100 has been expended in wages sells for £130; and, leaving rent and taxation out of the question, of every 130 laborers 100 are employed in producing commodities for the use of the whole 130, and thirty in producing commodities for the use of capitalists. The same result would follow in England, if the average rate of profit were ten per cent per annum, and the average period of advance rather less than three years.

As a country advances in civilization, though the rate of profit has a tendency to diminish, the total amount of profit, and therefore the proportion of laborers employed to provide the consumption of capitalists to those employed to provide the consumption of laborers, is constantly increasing. First, in consequence of the increase of capital, and secondly, in consequence of the continual prolongation of the period of its advance. The apparent loss to the laboring classes may be, however, more than counterbalanced, first by the increased productiveness which capital gives to labor; secondly, by the greater steadiness of employment; and thirdly, by the means given to the laborer to become himself a capitalist. And to be so he need not cease to be a laborer. A well-furnished residence, a good stock of clothes and linen, good tools and a year's income in a savings' bank, form together no inconsiderable capital.³⁷ And these (in ordinarily good seasons) may be accumulated in a few years, by any well-conducted family in our manufacturing districts.* ³⁵⁴

3. Allocation of Produce for the Use of Government: the Theory of Taxation. The third purpose to which labor may be diverted from the supply of commodities for the use of laborers is the supply of the productive consumption of government. I say the *productive* consumption because the labor which is employed in effecting the legitimate purposes of government, is as much employed for the benefit of the laboring classes as that which is employed in the direct production of commodities for their use. The great object of government is to afford security, and security is of all blessings the most important, and the one least capable of being obtained by uncombined exertions.

Those writers who have maintained that whatever is raised by taxation is deducted from the revenue of the country, seem to have been led to this conclusion by observing that the object of government is to occasion not positive but negative effects, not to produce

good, but to prevent evil. And they have thought it right to deduct what is so spent from the net revenue of the people. But it must be recollected that the mere prevention of evil is one of the principal objects even of individual expenditure. We do not build houses because it is more pleasant to live under timber and stone than under the canopy of heaven, but because roofs and walls are the only means by which the inclemency of the seasons can be avoided. We do not buy drugs for our pleasure but to avert or remove disease. Yet no one ever thought what he spends on medicine and house rent a deduction from his income. When the members of a friendly society raise among themselves a fund for their relief in sickness, they do not consider their contributions a deduction from their wages but a mode of expenditure. Those contributions would not change their character though the quatum of each family were assessed and enforced by some irresistible authority. And in what does each man's contribution towards the means by which the community is to be protected against internal and external violence and fraud, differ from his contribution to a friendly society, excepting that those evils are more severe and more constantly imminent than sickness, and less capable of being warded off by individual efforts? It is true that if the protection could be less expensively obtained the fund for the maintenance of labor would be increased. But this is merely an exemplification of what I have already stated, that the extent of the fund for the maintenance of labor depends mainly on the productiveness of labor.

Unnecessary taxation, even when innocently applied, is fraud or robbery. It is difficult to find a designation for that which is applied to ends still more mischievous than the means: for that which makes plunder and extortion³⁸ the instruments of still further injury. It would be a mistake, however, to suppose that the whole, or even the greater part, of taxation necessarily falls on the laboring classes. Rent and profit form a considerable portion of the revenue of all rich and densely peopled countries. They are funds from which taxes may be drawn with greater ease to the receiver, and less suffering to the payer, than when they are wrung from the wages of labor. Wherever, therefore, the people have influence, or the government—though oligarchic or even despotic—is prudent, rent and profit are the principal sources of public revenue.*³⁵⁵

So far as the expense of governing a country is supported by taxes laid on its landlords or on its capitalists, the laborers are not

directly concerned in it. A duty on wine may force a landlord or a merchant to dismiss a footman; but it enables the government to hire a soldier. But a tax imposed on the commodities consumed by the laborer, has precisely the same effect on him as a diminished productiveness of labor:—the tax is added to the cost. If a tax of 25 per cent be laid on porter, it is the same as if four men were wanted to make the porter which three could make before: the only difference being that the fourth man, instead of being actually employed in making porter, is a soldier or a policeman. Porter rises in price; less is consumed; fewer persons are employed in making it; and the labor thus set free is taken up by the government. The result is the same if the laborer is directly taxed, as in the case of a poll tax. Expenditure on the part of the government is augmented; on the part of the laborers it is decreased; and a corresponding change of production follows.* ³⁵⁶

Nor must it be forgotten that a part of the taxes received by the government of one country is often paid by the inhabitants of another. We now purchase annually about thirty millions of pounds of tea from China at about the rate of 1s. a pound. Partly for the benefit of the state, and partly for the benefit of the India Company we impose on tea, in different ways, taxes to the amount of about 300 per cent. Were we to repeal that taxation the consumption would probably double; but it is highly improbable that we could purchase sixty millions of pounds of tea at 1s. a pound. The price in China might possibly double; it probably would rise one-half. That rise would have a tendency to raise the rent of land and the wages of labor in China. It must be admitted, therefore, that they are both kept down by the existence of the tax; and that a portion of the duty on tea is in fact paid by the inhabitants of China. The same reasoning proves that a part of the English duty on claret is paid by France, and that a part of the duties imposed by foreign nations on some of the commodities which we export, is paid by England. As a portion of the taxes of every state is, in fact, paid by the inhabitants of those countries with which it has commercial relations, and as war and misgovernment are the great causes of taxation, an additional proof is afforded of the degree in which each country is interested in the freedom and tranquillity of its neighbors.* ³⁵⁷

4. Effects of Income Taxes on Capital and Labor. Every tax, to be just, must either be self-imposed, or be proportioned to the means of the payer. Taxes on consumption which do not affect the neces-

saries of life, conform to the first of these rules—they are self-imposed.

In the price of threepence-halfpenny (says Adam Smith) now paid for a pot of porter, the different taxes may amount to three-halfpence. If a workman can conveniently spare these three-halfpence, he buys a pot of porter. If he cannot, he contents himself with a pint, and as a penny saved is a penny got, he gains a farthing by his temperance. He pays the tax as far as he can afford to pay it, and every act of payment is perfectly voluntary,—what he can avoid if he chooses to do so.

A tax deducting an equal percentage from the revenue of all permanent property, conforms to the second rule; it is proportioned to the means of the payer. But taxes on the necessities of life are unjust, since they take as much from a family with £30 a year, as from a family with £300 a year.³⁹ Taxes upon ground rents, on the devolution of personal property, on the conveyance of land, or on legal proceedings, are equally unjust. They select particular classes for taxation. Taxes imposed on persons possessing a given amount of property or income, and excluding others, except on the ground of inability to pay, are equally unjust, and far more dangerous. There are no marked divisions in society depending on the nature of property. Proprietors of ground rents, lands, or funds, are interspersed among men of every condition. But society is divided, according to the amount of property, into marked classes—the poorer being always the more numerous. To hold out any one class as the subjects of exclusive taxation, is to hold out a minority as the subjects of legal plunder. When once an injustice has been committed, when once a line has been drawn, depending on the arbitrary will of the legislator, what security have we that it will be adhered to? What security have we that it will not be gradually pushed up, until the opulent become what they were in the Greek republics—mere trustees for the state?

The tax to which I would submit must be confined to that portion of income which can fairly be called revenue; that is to say, to the portion which can be spent without impairing the capital. If a man has lent £20,000, to be repaid to him with interest by four annual payments, can he be said to have an income of £6,000 the first year, £5,750 the second, £5,500 the third, and £5,250 the fourth? Can his real annual income be said to be more than £1,000? [Furthermore], can the merchant, who derives a profit apparently high from a hazardous business; the professional man, who, if he

were to spend all that he gains during his few years of eminence and health, would leave his family beggars; the clergyman and the public officer, a third of whose income is employed in insuring his life, or in effecting an accumulation which is to serve as an insurance;—can any one of these be said to possess, as a means of expenditure, all that is called income?

But it may be said, that to attempt to obviate all these anomalies would give a great deal of trouble, and diminish the productiveness of the tax. Suppose that it would. To refuse inquiry because it would cost trouble—to refuse redress because it would cost money—to commit blind wholesale injustice in order to save the annoyance of having to exempt; this again is a conduct to which the term *revolutionary*, in the most hateful sense of the word, must be applied.

Nor is the excuse, so far as the difficulty of the investigation is concerned, founded on fact. The case of precarious or temporary investments seems to present no difficulty whatever. We know that money cannot, as a general rule, be safely invested so as to produce interest at more than four per cent. Whatever is received beyond this is a compensation, generally an inadequate compensation for risk. Let the income derived from all money investments be calculated at four per cent on the sum which they cost, or, when that cannot be ascertained, at four per cent of their value. There can be no difficulty in this; and I cannot suppose that the most rapacious financier who has ever oppressed a nation would venture to object to it, on the mere ground that it would make the tax somewhat less productive. The case of professional men, including clergymen and public officers, is less susceptible of accurate adjustment; but the supposition that such men in general put by, and that under a sense of obligation, one-third of their professional income, is, I believe, rather under the truth. That the amount must vary according to circumstances; that an old bachelor may venture to spend more than the man with a family; a man with an independent fortune more than one whose profession is the only fund from which a provision for ill-health, or for children, is to be accumulated—all this is obvious; but the impossibility of minute discriminating justice is no excuse for universal injustice. What I should suggest, if I were framing an income tax, would be, that such incomes should be rated at two-thirds of the incomes derived from investments.

With respect to the incomes derived from trades, the data are more doubtful. I suggest, as the nearest approximation at which I have been able to arrive, that the average gross profits of success-

ful trade may be taken at ten per cent on the capital employed; and that of this amount four per cent may be considered as interest,⁴⁰ three per cent as the remuneration for trouble, and three per cent as the compensation of occasional loss—leaving the average net profit seven per cent, or about double what can be obtained from the funds. On large capitals the compensation for trouble may be smaller, and that for risk larger; the additional trouble taken by the smaller capitalist enabling him to diminish his risk. If we assume, as we are justified in doing, that the trader ought to lay by from the three per cent, which he is supposed to receive for his trouble, one-third—the amount supposed to be reserved by professional men—his real income, the income which he can afford to spend, will be six per cent on his capital. I should suggest, therefore, if I were proposing an income tax, that traders should be assessed at a supposed income of six per cent on their capital; or, if they did not think fit to declare their capital, then, at six-tenths of their declared incomes. The extra profit, which is a mere compensation for risk, cannot fairly be taxed, unless the state return to the trader, when he has sustained a loss, what it took from him when his speculations were successful.

But modify an income tax as we will, it has this inherent vice, that it is, to a considerable extent, a tax upon the creation of capital. And yet it is remarkable that this vice has often been considered as a merit. It has often been said in its praise, that it affects the hoards of the miser. Those who use such language cannot know of what the hoards of a miser consist. They consist of ships, of docks, of canals, of railways, of farm buildings, of farm stock, of reclaimed lands, of mills, of machinery; in short, of all that produces wealth and enjoyment—of all the sources of employment to the people, rent to the landlord, and revenue to the government. Every man must spend every shilling of his income, but he may spend it productively, or unproductively.⁴¹ If a man with £2,000 a year spends the whole unproductively, he gives the whole of it every year in exchange for commodities or services for his own enjoyment. If he spend half of it productively, or, in common language, if he save half of it, he employs that half, either himself, or through the agency of some person to whom he lends it, or whom he pays for managing it, in creating new sources of future revenue. Such a man, at the end of twenty years, has added £20,000 to the capital of the country—an addition which would not have existed if, instead of paying men to drain or to plant, to erect steam engines, or to sink mines, he had

paid them to wait behind his chair, or to attend to his hothouses, or his hounds. Now, if the man with £2,000 a year, whom I have supposed to save half his income, be subjected to a tax falling on his expenditure, the only consequence will be his personal inconvenience. He has so much less to spend, the government so much more. He may be forced to discharge a footman; the government is enabled to engage a soldier. But if the tax fall on the portion of his income which he saves, it forces him to discharge, not a footman, but a man whose services created every year a capital excluding his wages. He is forced to withdraw a workman from a farmyard, a railway, or a manufactory. Suppose such a man to be taxed fifty per cent on his income, and to pay the tax one-half out of what he had been accustomed to spend, and the other half out of what he had been accustomed to save, the £500 a year paid out of his expenditure, if it were paid for twenty years, would not affect the capital of the country; but the £500 paid out of his savings would take £500 from what would have been the capital of the country the first year, £1,000 the second, £1,500 the third, and so on, more and more, during every year that it lasted.

For this reason, because they fall principally on unproductive expenditure, I prefer the assessed taxes to all other forms of direct taxation. If any other form of direct taxation be necessary, I prefer a direct tax on every man's declared expenditure.⁴² Such a tax would have little tendency to diminish the accumulation of capital; to a certain extent, indeed, it would have a tendency to promote it, since many men would save in order to avoid the tax. It would have the further advantage of being, to a considerable extent, self-imposed. Its assessment, too, would be far less painful. Few persons would feel much objection to declare their expenditure, or to suffer it to be notorious; because its notoriety would neither affect their credit nor injure their vanity; and, so far as professional men and traders are concerned, expenditure is more easily ascertained than income.* 358

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¹ [Cf. Part III, Chap. IV, sec. 2.]

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² [At one point in his first series of lectures on political economy Senior was so perplexed by his classification of the shares of production that he made the following significant remarks:—

“Perhaps the best plan would be to apply the term wages to the remuneration of mere labor, the term interest to the remuneration of mere abstinence, and the term profit to the combination of wages and interest—to the remuneration of abstinence and labor combined. This would make it necessary to subdivide capitalists into two classes—the inactive and the active [entrepreneurs]—the first receiving interest, the second obtaining profit. If the difficulties which I have been considering in this lecture had struck my mind as forcibly when I first considered the subject, as they do now, I probably might have adopted this arrangement. To introduce it now, however, would I think be more disadvantageous from its inconsistency with my previous nomenclature than beneficial from its nearer approach to precision. I shall continue therefore to include under the term profit the whole revenue that is obtained from the possession or employment of capital, after deducting those accidental advantages which I have termed rent, and a sufficient sum to pay the capitalist if actually employed, the wages which would purchase an equal amount of labor from a person unpossessed of capital” (Lo⁷, 78–81).

As I have pointed out before (Part VI, note 26), Senior generally used the word profit rather loosely. Nor is the above apology acceptable at par value, for the difficulties to which Senior alluded were considered by him at least two years before the previous paragraph was written.

In the Appendix to Richard Whately's *Elements of Logic*, published in 1827, Senior described the different ways in which the words *rent*, *profit*, and *wages* were used. He gave a list of definitions of these terms according to Adam Smith, Say, Storch, Sismondi, Malthus, James Mill, Torrens, McCulloch, and Ricardo. Commenting on those definitions, he stated as follows:—

“The first observation to be made on these definitions, is, that the rent of land, which is only a species of an extensive genus, is used as a genus, and that its cognate species are either omitted, or included under genera to which they do not properly belong. Wages and profits are of human creation: they imply a sacrifice of ease or immediate enjoyment, and bear a ratio to that sacrifice which is indicated by the common expressions of ‘the rate of wages’ and ‘the rate of profits’—a ratio which has a strong tendency to uniformity. But there is another and a very large source of revenue which is not the creation of man, but of nature; which owes its origin, not to the will of its possessor, but to accident; which implies no sacrifice, has no tendency to uniformity, and to which the term ‘rate’ is seldom applied. This revenue arises from the exclusive right to some instrument of production, enabling the employment of a given amount

of labor or capital to be more than usually productive. The principal of these instruments is land; but all extraordinary powers of body or mind,—all processes in manufacture which are protected by secrecy or by law,—all peculiar advantages from situation or connection,—in short, every instrument of production which is not universally accessible, affords a revenue distinct in its origin from *wages* or *profits*, and of which the rent of land is only a species.

"In the classification of revenues, either rent ought to have been omitted as a genus, and considered only as an anomalous interruption of the general uniformity of wages and profits, or all the accidental sources of revenue ought to have been included in one genus, of which the rent of land would have formed the principal species.

"Another remark is, that almost all these definitions of *profit* include the *wages of the labor of the capitalist*. The Continental economists have in general been aware of this, and have pointed it out in their analyses of the component parts of profit. The British economists have seldom entered into this analysis, and the want of it has been a great cause of obscurity.

"On the other hand, much of what properly belongs to profit and rent is generally included under wages. Almost all economists consider the members of the liberal professions under the class of laborers. The whole subsistence of such persons, observes Mr. McCulloch (*Principles*, p. 228), is derived from wages; and they are as evidently laborers as if they handled the spade or the plow. But it should be considered, that those who are engaged in any occupation requiring more skill than that of a common husbandman, must have expended capital, more or less, on the acquisition of their skill: their education must have cost something, in every case, from the handicraft-apprentice, to that of the legal or medical student; and a profit on this outlay is of course looked for, as in other disbursements of capital; and the higher profit in proportion to the risk—viz., the uncertainty of a man's success in his business. Part, therefore, and generally far the greater part, of what has been reckoned the wages of his labor, ought more properly to be reckoned profits on the capital expended in fitting him for that particular kind of labor. And all the excess of gains acquired by one possessing extraordinary talents, opportunities, or patronage (since these correspond to the possession of land,—of a patent right,—or other monopoly,—a secret, etc.) may be more properly regarded as rent than as wages." RAP², 319–321.

Cf. Part III, Chap. IV, sec. 2; and Part IV, Chap. V, sec. 1.

In Part III, Chap. IV, sec. 2 (last part of 5th paragraph) Senior observes: "It is often difficult to distinguish profit from wages. But to add a third sort of revenue, to which a portion of what is usually called profit or wages is to be attributed, appears to me an unnecessary complication." Yet in A⁷, which was written in the latter part of 1848, the author follows substantially his earlier lectures and divides the shares of production into rent, profit and wages—taxation being only a mode of expenditure.]

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² [Part I, Chap. III, sec. 3.]

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⁴ [This passage was written in 1829. Writing to Archbishop Whately in 1845 in reference to the latter's *Lessons in Political Economy*, Senior remarked:

"I think the statements in Lesson XI, Part I right as they stand. And I think the passage right in not drawing the common distinction between money wages and what are called rent wages, which might better be called, wages paid or allowed in kind.

"It is true that a large amount of wages is paid in kind, as the domestic servants, soldiers, and sailors, etc, and in Ireland by rent commuted for labor. But in the first place a much larger amount is paid in money, and secondly where laborers are employed for purposes of profit the employer, though he may pay them in kind, must always reduce that payment into money before he can estimate his profit." M^s, 1.]

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⁶ ["Senior here brings out very clearly the fallacy in the idea that piece rates once fixed should be maintained unchanged despite improvements in methods of production."—Willford I. King.]

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⁶ [Part VII, Chap. IV.]

⁷ [For the meaning which the author attaches to the term *intrinsic* in contrast with *extrinsic* value, see Part VI, Chap. I, sec. 3.]

⁸ [Cf. Part VI, Chap. I, secs. 2 and 4; also Part VII, Chap. I, sec. 1.]

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⁹ [This is applicable to international as well as domestic commerce. See Part VIII, Chap. III, sec. 1.]

¹⁰ [This chapter was written in 1851.]

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¹¹ ["It is a prevalent notion" (Senior remarks), "that, as workmen have a common interest in raising wages, so masters have a common interest in lowering them—and that as the workmen combine against a workman who accepts low wages, so the masters combine against a master who gives high ones. This opinion is not merely erroneous: it is the very reverse of the fact. As the price of every commodity depends on its average cost of production, it is the interest of every master that the cost to every producer but himself should be as high as possible, since on that cost will depend how much he can ask for what he produces himself. His jealousy therefore is directed, not against those who pay more, but against those who pay less than himself. He sympathizes with his workmen in their indignation against knobsticks, and is not very anxious to resist a strike that is not directed against himself.

"Besides the general rivalry which arms every master against every other, there are whole classes in a state of especial warfare. A workman assisted by new machinery can, as I have already remarked, produce, within the same time, a much larger quantity of finished work than would be obtained from old machinery. One spinner on the new mules, carrying 1,000 spindles, can throw off per hour three times as much yarn as could be spun on the old mules carrying only 336. By dividing this advantage between their spinners and themselves, giving to the spinner a rather less sum per hank or pound of yarn spun, but rather a larger sum per day or per hour, the owners of the improved machinery obtain a superiority which enables them to undersell and perhaps to ruin their rivals. A remedy which I regret to say is often resorted to by the

owners of old machinery is to represent to their own workpeople this change as a lowering of wages, and to turn against it the force of a combination." RAP¹³, 113-114.]

Page 241.

¹² ["Senior's picture of the effect of new inventions upon wages and profits is extremely clear and compares favorably with that given by any more recent writer."—Willford I. King.]

Page 246.

¹³ ["The description of trade unions and strikes here presented is just as applicable to conditions in 1927 as to those of 1850. Aside from the literary style, one might well believe the account to have been written yesterday.

"We have often heard that the Irish left Ireland in the 19th century because of the rack-rent system, English oppression, or the failure of the potato crop. Senior gives us a different picture and ascribes the trouble to the tyranny of the labor unions. Most Americans doubtless suppose that unions were unknown in Ireland at that time."—Willford I. King.

Senior, of course, understood Irish conditions far better than one might infer from this description. He considered the interference of trade unions as only one of the troubles which caused so many Irishmen to emigrate to America.]

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¹⁴ Book I, Chap. X.

Page 250.

¹⁵ [Cf. Part VIII, Chap. III, sec. 3.]

¹⁶ [Cf. Part X, Chap. II, sec. 3; and Chap. IV, sec. 3.]

Page 251.

¹⁷ ["Senior here calls attention to the often overlooked fact that it is the family wage and not the individual wage which governs the supply of labor. The necessity for laws prohibiting child labor follows logically from this position. See same idea in Part IX, Chap. I, sec. 2."—Willford I. King.]

¹⁸ [Cf. Part X, Chap. III, sec. 1.]

Page 252.

¹⁹ [*Principles of Political Economy*, Vol. I], p. 411.

Page 253.

²⁰ [*Principles of Political Economy*, Vol. I], p. 405.

²¹ [*Ibid.*], p. 407.

²² [Writing to de Tocqueville—author of *Démocratie en Amérique*—under date of February 27, 1841, Senior stated: "In Volume IV, p. 51, you appear to consider the rate of wages as affected by other causes than those to which I have been accustomed to refer it. I have always been accustomed to consider wages as governed by the comparative supply of labor on the one hand, and of capital on the other, and by the productiveness of labor. Where the capital, in proportion to the number of laborers is large, and the labor is productive, wages are high, because the laborer produces much and has a large share of what he produces. This is the case in our manufacturing towns. Where the capital is large, but the labor is unproductive, as in the best agricultural counties, the laborer gets less. Where the capital is small, and the labor also

unproductive, as in Ireland, he gets still less. It does not seem to me that the institutions of a country (except slavery or serfage) have anything to do with the matter." J¹, I, 24.]

Page 254.

²³ [Cf. Part VIII, Chap. I, sec. 2; also Chap. III, secs. 1 and 2.]

Page 255.

²⁴ ["In this section Senior points out a fact even yet not generally recognized, namely, that the relative abundance of the different kinds of goods produced is a matter of great moment to the various strata of the population."—Willford I. King.]

²⁵ *Sur l'Homme*, Tome I, p. 324.

²⁶ *Sur la Mortalité Proportionnelle*, etc.

²⁷ [Cf. Part V, Chap. IV.]

²⁸ [In his *Letter to Lord Howick* on the state of Ireland in 1831, Senior attempts to show, among other things, that the popular clamor against Irish immigration into England is without any foundation. Among the critics to whom Senior submitted the original MS. of that letter was Malthus, and the latter's comments on the author's views may be of interest in this connection. I will first state what Senior himself has written on the subject.

"A great part of this immigration," Senior remarks, "consists of harvest laborers who come when their services are wanted and depart as soon as that want is at an end. Now, it certainly appears to be a great benefit to the agriculture of this country that there should exist a deposit of labor, supplying hands to meet its transitory demands, and withdrawing them when the exigency has ceased. But we are told that this is injurious to our own laborers, who are deprived of a part of the extra remuneration for harvest work. We must remember, however, that it may be laid down as a general rule that cultivation cannot extend further than is profitable, and will extend as far as it is profitable; and that the opportunity of obtaining Irish labor must enable much cultivation that otherwise could not take place. If the Irish agricultural laborer adds more than he takes away, he must increase, instead of diminishing, the general fund for the payment of wages. The common error on the subject seems to arise from our assuming that the whole sum that is now divided by the farmer between his English and Irish agricultural laborers would, if there were no Irish in the market, be paid to the English. But in fact the whole produce of the farm, the whole price of the produce, and the whole sum applicable to the payment of wages, would be diminished, and diminished in a greater proportion than the amount of the Irishman's wages, or there would be no profit in employing them. If for every bushel that the Irishman consumes he enables more than a bushel to be gathered, the complaint of the Englishman is not merely unreasonable but unfounded."

With reference to this statement Malthus (signed "T. R. M.") comments as follows:—

"This conclusion is not warranted by the premises. The labor of the Irishman may increase the whole amount of wealth divided between the farmer and the laborer, but it by no means follows that this increase will be in *proportion* to the increased number of people among whom it will be divided. The wealth of the country may be greater, as the wealth of England is greater

than that of America; but the condition of the laboring classes is worse. The advantage of prudential restraint depends upon this principle. A comfortable state of the laboring classes is inconsistent with the *greatest possible* amount of wealth."

Another critic ("L. H."—probably Lord Howick), in commenting upon the author's statement as to the Irishman's labor increasing "the general fund for the payment of wages," writes as follows:—

"True—but he at the same time renders that fund less accessible to the English laborer. The English laborer requires more to maintain him than the Irish—he is better clothed, better fed, better housed. Now, if you lower the rate of wages (as must be the case, if the Irish continue to pour in on us), to the standard of the hardest liver, what is to become of the class of English laborers? I have witnessed the gradual—almost total extinction of the lower class of whites in Barbados, by an exactly similar process. The freed negroes brought their labor, as mechanics, shoemakers, etc., into competition with them. What was the consequence? The freedman had been accustomed to live harder—he worked for a profit that barely maintained *him* and starved the white men." M⁴, 54–56.]

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²⁹ [This is generally known as the Iron Law of Wages, which, according to Professor Devas (*Political Economy*, 3d ed., 1907, Book III, Chap. IV, sec. 12), "was the application to wages of the theory of price being due to the cost of production. Labor was likened to a commodity, and thus its price could be ordinarily no more than its cost of production, namely, such wages as would enable the workman to live and rear a successor. The responsibility of this gloomy doctrine falls on Turgot, Say, and Ricardo; and in the hands of socialists it has served as a valuable argument against the present system of society."

According to Professor Marshall (*Principles of Political Economy*, 1890, Book VII, Chap. II), "Ricardo was . . . aware that the necessary or natural limit of wages was fixed by no iron law, but is determined by the local conditions and habits of each place and time." Professor Marshall also refers to Professor Brentano's inaugural address at Vienna in which the latter "gives as a reason for believing that the classical economists really held the iron law of wages, the fact, that they frequently speak of the minimum of wages as depending on the price of corn." "But," observes Professor Marshall, "the term 'corn,' as used by them, was short for 'agricultural food products of all kinds.'" In his later work, however, Professor Marshall himself seems to imply that the minimum-of-subsistence theory of wages really had a stronger foundation. Up to the period of the anti-corn-law agitation "wages had seldom been governed directly by economic forces. Employers nearly always had the upper hand in bargaining. Farmers especially raised or lowered wages by agreement among themselves, at such levels that laborers' families could just live in moderate health and moderate strength, provided the whole of their income was spent for strength-giving ends: and similar influences operated in many industries, though with less force."—*Industry and Trade*, 1919, p. 82.

Compare also the author's remarks on the conditions of farm laborers, Part IV, Chap. VII, sec. 3.]

Page 262.³⁰ [Cf. Part III, Chap. IV.]**Page 263.**³¹ *Principles*, p. 63.³² [Cf. Part IV, Chap. VII, sec. 6.]**Page 264.**³³ [This passage was written in 1829.]³⁴ [Cf. Part IV, Chap. VII, secs. 1 and 2.]**Page 265.**³⁵ [Cf. Part V, Chap. I, sec. 3.]³⁶ [Cf. Chap. I, sec. 1, above; also Part IV, Chap. IV, sec. 3; Part VI, Chap. II, sec. 2; Part VIII, Chap. I, sec. 2; Chap. III, sec. 1; and Chap. IV, sec. 1.]**Page 266.**³⁷ [See Part IV, Chap. II, sec. 5.]**Page 267.**³⁸ [Cf. Part II, Chap. II.]**Page 269.**³⁹ [The relative per capita consumption of sugar in a year by the different classes of society is estimated by Senior as follows:

	Lbs.	oz.
"To persons on board her Majesty's ships.....	34	3
To convicts.....	22	13
To the aged in workhouses.....	22	12
The well-informed author of <i>The Sugar Monopoly</i> estimates the annual consumption of the middle classes per head at.....	37	0
The annual consumption per head at breakfast and tea, by affluent individuals, is about 52 lbs., and that on puddings, tarts, etc., about 16 more—together.....	68	0

"It will appear from these statements, that with the remarkable exception of bread (the other great monopoly which it is the object of the Government [Whig, 1841] to relax, and of the opposition to retain), sugar is the commodity which the poor and the rich consume in the nearest proportions. A man with £10,000 a year, spends on his house and furniture at least 200 times as much as a laborer; but he does not use twice as much sugar as a common sailor. Nine-tenths of the expenditure of the rich is for the purpose of luxury or of ostentation; or, to speak in milder terms, for the sake of keeping up appearances. Bread and sugar are used only for health, strength, and comfort. The taxes on these commodities are those which oppress most severely the bulk of the people, while their influence on the higher orders is almost imperceptible. And the opposition has refused even to go into Committee to discuss a plan for reducing them! We do not accuse the opposition of absolute indifference to the wants of the people. We believe that, if they thought they could relieve them without any material sacrifice of income, and without any sacrifice whatever of political power, they would make some exertions for the purpose. But we do accuse them of inattention to these wants. We do accuse them not merely

of not having voluntarily inquired into them, but of having, under the influence of avarice or ambition—avarice among the sordid followers in the party, and ambition among the leaders—refused to allow them to be exposed.” A¹, 543.]

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⁴⁰ [Cf. Part IV, Chap. IV, sec. 3.]

⁴¹ [Cf. Part II, Chap. III, sec. 4; and Part IV, Chap. IV, sec. 4.]

Page 272.

⁴² [“Senior’s discussion of what constitutes income for purposes of taxation is very clear. His advocacy of an expenditure tax is interesting in that the proposal to inaugurate such a tax has been under discussion very recently in the United States Congress.”—Willford I. King.

I may add that Judge Elbert H. Gary, the late Chairman of the Board of Directors of the United States Steel Corporation, also advocated such a tax instead of the present income tax.]

PART X
GOVERNMENT CONTROL AND SOCIAL
PROGRESS

CHAPTER I

EXTREME TENDENCIES OF GOVERNMENT INTERFERENCE

1. Militarism, Despotism, and Paternalism. 2. Early Paternalistic Legislation: the "Classes" versus the Masses. 3. Centralization, Socialism, and Communism: the Rule of the Proletariat. 4. The Revolution of 1848 and the Creation of National Workshops.

1. Militarism, Despotism, and Paternalism. [In a former chapter¹ I called attention to the notorious fact, that the human race always has been, and still continues to be in a state of almost uninterrupted warfare.] But modern war, however mischievous, is not destructive. It may retard the increase of population,² but does not positively diminish it. France, during the course of the long, and ultimately disastrous, wars which arose out of her revolution constantly increased in population. The Hungarian revolution has produced one of the most sanguinary wars of modern times; but no one believes that it has materially diminished the population of Hungary.* 359

[Even] the positive destruction of wealth inflicted by war, whether domestic or external, as now carried on among civilized nations, is temporary in its effects. What suffers most is maritime capital, because war at sea has not yet been humanized. It is still waged with the rapacity and the ferocity which stained war on land in barbarous times. Private persons, under no control and scarcely any responsibility, are still suffered to engage in it. They are still permitted, and the national force is still ordered to take, burn, sink and destroy (such are the very words of a letter of marque) the vessels of unoffending traders. But on land instances of wanton ravage are rare. Sometimes, but very rarely, a town may be bombarded, a farmhouse or a detached manufactory may be burned, an orchard may be cut down, and the greater part of the live stock of a district may be consumed. The cattle and horses, however, can be replaced in five or six years. The sheep and pigs in two or three. Farmhouses are not expensive erections and manufactories and machinery rapidly deteriorate so that their

destruction by an enemy accelerates only by a few years their consumption by time. The important parts of the agricultural capital of a nation, the amelioration of its soil by the labor of centuries, its roads, canals and harbors, are almost unsusceptible of injury. A short period of enforced parsimony restores its circulating³ capital and a country which has perhaps been the seat of a prolonged war, which at the end of that war thought itself ruined, finds itself in a few years as flourishing as before.

The real evils of war are not its positive but its negative effects, not the capital which it destroys but that of which it prevents the accumulation or which it diverts to unproductive purposes. In this manner success may often be more mischievous than failure. An invasion may hurt the invader more than the invaded. It was said that when the Dey heard what had been the expense of our bombardment of Algiers, he protested against the waste; he was quite ready, he said, to have burnt for us his fleet and town for one-third of the money.

But though in modern times war is accompanied by far less positive destruction than it used to be, it must also be admitted that *peace is far less beneficial*. Until the 16th century the expense of war fell on those who carried it on. The husbandman was withdrawn from his fields, the artisan from his workshop; but after a short campaign, for which the least busy part of the year was generally chosen, they returned to their businesses, and production was little interrupted. As soon as peace came the military expenditure was at an end and, as I said before, a few years of parsimony restored all that had been lost.

During the last two hundred years it has become the practice to substitute mercenaries for men serving at their own expense and to raise the funds for paying them not by taxation but by loans. The consequence has been that at the end of the revolutionary war in 1815 every nation found itself loaded with a debt the interest of which far exceeded the annual expense of the wars of former centuries. During the thirty-four years of peace which have succeeded this debt has generally, I believe I may say universally, been increased instead of being paid off or reduced; and *a state of warlike preparation* has been kept up which in many parts of Europe, in France, for instance, or Belgium, and in Holland, *is actually more costly than the most expensive previous wars*.

Even in England, where this folly has not been pursued quite so far, the military expenditure of the year ending the 5th January,

1849, amounted to £17,645,000. If we add to this £28,563,000, the interest of the national debt—the legacy of former wars—it amounted to £46,208,000. Of this vast sum—£17,645,000—the portion directly employed for military purposes was all expended unproductively, excepting of course, for the purposes of defense. Except for those purposes it was as much lost as if it had been thrown into the sea—as if all the soldiers and sailors and artificers whom it paid had been employed the whole year in heating the air.⁴ The whole of £28,563,000 was not unproductively consumed. The national creditors who received it, accumulated, that is to say employed productively a portion of it. We will suppose, I fear an extravagant supposition, that they accumulated one-fourth of it. There would remain £21,422,000, making with £17,645,000, £39,067,000. Now £39,067,000 represents the wages, at rather more than £39 a family, of a million families—that is to say of one-fourth of the population of Great Britain. If we suppose the whole income of the inhabitants of Great Britain to amount to £390,000,000, which appears to me the estimate nearest to the truth, it is equal to one-tenth of that income. Assuming now the whole of £39,067,000 to be contributed by Great Britain, which is nearly, though not strictly true, *we annually employ in preparation for future war and in repaying the expenditure of past wars, a sum equal to one-tenth of our whole gross annual income, and equal to the wages of one-fourth of our laboring population.*

Taking the expenditure of last year [1849] as the average, we have thus expended during 34 years of profound peace⁵ £1,328,278,000. If only £599,930,000 of this sum—if only the 599 millions which have been spent in feeding and clothing the workmen in our dockyards and fortifications, the sailors who have been exhibiting our flag in every port and the soldiers who have left their bones under the snows of Canada and in the marshes and jungles of our tropical colonies or have returned to be burdensome invalids at home—had been employed in permanently improving the land and the communications of the British Islands, we might have thoroughly drained every cultivable acre, we might have covered Ireland with a network of railways adequate to her wants, we might have given to Wales and Scotland those which the character of the country will allow, we might have supplied the links and extensions still wanting in England.

The effects of bad institutions are, however, far more permanent and more mischievous than those of the most destructive war.

Sometimes, as is the case of Asia Minor, and generally of the magnificent empire which now languishes under the ignorant and selfish despotism of Turkey, they check both production and population. I have already remarked⁶ that production depends on capital, capital on abstinence, and abstinence on security. A form of government which is a hierarchy of despotism, where every public officer is plundered⁷ by those above him and plunders those below him, and the productive classes are subject to the accumulated exactions of all, necessarily must in time render every community that is subject to it poor and ill peopled. When a country previously flourishing becomes subject to such a government, the destruction of wealth is generally at first greater than that of people. Soon however plight, despondency and misery thin the numbers of the subjugated race, and a rough sort of equilibrium between subsistence and population is created, under which in good seasons or under some unusually kind or intelligent ruler, subsistence is temporarily abundant; and under opposite conditions, comparatively scarce: but in the most favorable circumstances, is obtained by a far greater expenditure of labor in proportion to the result than when that labor was assisted by the capital which has been driven away by tyranny.

I say in proportion to the result, because a people may be so oppressed as to lose not only its abstinence but its industry; and in that case its numbers may be reduced so low, its habits so degraded, and its desires so humble as to make it satisfied with the scanty food, clothing, and habitation which a very thin population can obtain with little exertion from the most easily cultivated soils. The Arab who grows dates and doura among the ruins of Palmyra probably supports himself with less exertion than was undergone by those who witnessed the building of the temple of the Sun—but that is not because a given amount of subsistence is more easily procured, but because the oppression and rapacity of his master have extinguished in him the energy which is necessary to continuous labor, the self-denial without which capital cannot be accumulated, and even the desire for anything beyond what human nature under the climate of Syria absolutely requires for its support. He avoids perhaps half the toil which he would undergo if he were one of the laboring classes in a well-governed country, but he does not enjoy one-tenth of their comforts.

Such tyranny, however, is no longer to be feared from any civilized government. The source of evil in such governments is not rapacity or indifference but ignorance—ignorance of the laws which regulate

the production of wealth, the extent of population, and of the motives to industry and abstinence.

Semibarbarous rulers are cruel parents who starve and illtreat their children. Civilized governments spoil theirs by overcare and ill-regulated indulgence. They create or aggravate or perpetuate poverty and misery—not by oppression, but by controlling and misdirecting industry and abstinence; by abolishing the punishments which the laws of nature inflict on idleness, improvidence and vice; and by weakening the checks by which she keeps population within the means of subsistence.* ³⁶⁰

2. Early Paternalistic Legislation: the “Classes” versus the Masses. The first set of errors were those principally committed in England during the 16th and 17th, and the greater part of the 18th centuries. They are those which now mainly retard the improvement of continental Europe. From the time of Richard II until that of George IV, our statute book is filled with acts, presenting, even in details, how production and exchange are to be managed. Sometimes the law directs how land shall be employed. It forbids woods to be turned into tillage or arable into pasture; and lays down the times and the rotation of felling timber and underwood, and the number of sheep which may belong to a single owner. Sometimes it forbids homes to be built in towns, sometimes in the country. Sometimes it forbids grain or other dead victuals to be bought and stored up, when abundant, as a resource against scarcity; sometimes it fixes the rate of interest at which capital may be lent, sometimes it fixes the prices of the most important commodities, such as bread, meat, and wine; sometimes it orders the weaver to give a given breadth of his warp, or the tanner to steep his hides for a given time; sometimes it confines particular trades to particular places or to particular persons. The legislature seems to have supposed that it understood every business better than those who carried it on.

The statutes of a single session are a specimen of this legislative interference. I will take the 34th Henry VIII. Chapter 3 enacts what shall be the measure, assize, and scantling of faggots and billets. Chapter 6 commands how pins shall be made. Chapter 7 directs the Lord Chancellor, Lord Treasurer, Lord President, Lord Privy Seal, and the two chief justices to mitigate and enhance the price of wines as time and occasion shall require. Chapter 10 directs what shall be the breadth and length of coverlets, and forbids their manufacture out of the City of York. Chapter 11 prescribes the weight, length, breadth, and goodness of Welsh flannels, friezes, and

cottons. Chapter 18 forbids all persons not being free of the City of Canterbury to keep a shop or use any mystery or buy or sell within the said city. Thus in a single session the legislature regulated minutely the supply of clothing and of fuel (for faggots and billets were the only fuel then used), and the price of wine.

It will readily be believed that while restraints like these were laid on internal industry and commerce, the foreign trade of the country was not left free. Our ancestors resembled irrational animals in many things, and particularly in their want of power, I might almost say, of desire, to estimate the comparative advantages of different objects. To us it seems clear that the welfare of the public is of more importance than that of any individual or class of individuals. This however, as far at least as foreign trade is concerned, they never seem to have perceived. Their whole commercial legislation is the sacrifice of the public to individuals, or at least of the great majority to a small minority. What excited their attention in foreign trade was, not the advantage which the whole community derives from the power of getting better or cheaper commodities, but the inconvenience suffered by the small number of home producers with whose gains the foreign competitor might interfere.⁸

With the exception of a few rude and unfashioned materials of manufacture, the great aim of our legislature for many centuries, was to exclude foreign commodities. The 3d Edward IV, chapter 4, entitled "Certain merchandises not lawful to be brought ready wrought into this realm" is a specimen. It enumerates, says Mr. Daines Barrington, writing in 1796, "almost every kind of goods that can be imported, and may be now looked upon as a fundamental law of the customs, founded upon the best principles of commerce."⁹

It seems, however, that these sweeping prohibitions were to a certain degree evaded by the resort to England of foreign manufacturers, who fabricated here what they were not allowed to import. The 1st Richard III, chapter 9, therefore, after reciting that strangers of the Nation of Italy, as Venetians, Genoese, Florentines, Apulians, Sicilians, Luccanese, Catalans and others resort in great numbers to London and other cities, and inhabit the same and will not take on themselves laborious occupations, as going to plow and cart, but use the making of cloth and other handicrafts and easy occupations whereby the King's subjects for lack of occupation fall into idleness, enacts that no person not born under the King's obeisance shall exercise or occupy any handicraft in this realm.

The policy of the English Government with respect to the im-

portation of raw produce has not been quite so consistent. Some kinds, indeed, it has always prohibited. Maize for instance, next to wheat perhaps the most useful of the cerealia, a crop as easy of production as the potato, and less subject to failure than any known food, was absolutely excluded from the British Islands until 1846. While the inhabitants of America and of Southern Europe were fed wholesomely and agreeably on *polenta* or maize bread at a steady price of less than three farthings a pound, the English, the Scotch, and the Irish chose to impose on themselves the necessity of living on oatmeal at an additional cost of 50 per cent, or on wheat at an additional cost of 200 per cent, or on the watery and treacherous potato—a food so little nutritive that the average consumption of a man who lives on it is more than a stone a day, so bulky therefore that it cannot bear land carriage, and so perishable that even in good years it will not last from harvest to harvest, and in bad seasons spoils three months after it has been dug up.

Wheat has been treated differently—perhaps with equal absurdity but with less consistency in error. From the times of Charles II to those of William IV the system was virtually one of prohibition until corn¹⁰ reached a price fixed at 40s. a quarter, afterwards at 50 and at last at 80s.—all of these prices indicating, at the then value of money, great scarcity—and immediately that price was raised, freedom of importation at a very low or a nominal duty.

If a being of the utmost subtlety and the utmost malignity had sought how prices should be made to fluctuate between the widest extremes, by the most rapid alternations, and according to the least calculable laws, he could not have devised a more effectual scheme. Its prohibitions pent up on the Continent the surplus of four or five years. Its permissions let them loose the instant our prices reached an amount double the average European price—and let them loose necessarily in a body—for as the fall of price brought back the prohibition every foreign corn holder felt himself to be running a race, in which the loss of a day might place his consignments under the king's lock, at the mercy of the weevil and damp. Under these circumstances all prognostication of price, and consequently the means of proportioning the consumption to the supply was at an end. For months after a bad harvest the price might remain unaltered, for who would venture to lay in a stock in the face of a probable admission of the surplus produce of the whole world, attracted by the publication of a price more than double the average prices of corn-growing countries? And if the

price did not rise, the consumption could not have been retarded until the stock had fallen so low, as to create a panic suddenly occasioning an enormous rise, to be followed by as sudden a fall on the ports being opened. That fall of course must have closed the ports; and a consequent rise have opened them again.

I use the words *must* and *would*, instead of *did*, because though these were the necessary effects of the system of alternating prohibition and free admission as framed, they were not always its effects as administered. The gradual but uninterrupted fall in the cost of obtaining gold and silver, generally called the fall in the value of money, which continued during the 17th and 18th centuries, and the substitution of a depreciated paper currency for metallic money during the first nineteen years of the 19th century, frequently occasioned wheat to remain stationary for years at a price beyond the limit at which free importation was allowed. And though this was remedied by constantly raising that price, yet until the new enactments were made importation was practically free. This was particularly the case during about twenty-five years ending with 1818. And when the price allowing free importation was raised in proportion to the fall in the value of money, so as to enable the law to fulfill the legislator's intention and exclude foreign grain except at a famine price, he was frightened at his own success and when a scarcity occurred sometimes by a temporary act and sometimes merely by an order in council repealed the law for a time, usefully without doubt in each immediate case, but with the inconvenience of introducing into agricultural and commercial speculations a new element of uncertainty—unstable legislation.

The recurrence of these suspensions of the law in 1825, 1826, and 1827, occasioned the last form of a corn law, intended as a permanent measure—the sliding scale. The sliding scale is the most remarkable fiscal invention of modern times. Under its provisions, now happily matter of history, when wheat was at or over 73 shillings it was subjected to a nominal duty of 1s. which rose with every diminution of price—at first rapidly—thus,

<i>Price</i>	<i>Duty</i>
72s. a quarter	2s. 8d.
71	6 8
70	10 8
69	13 8
68	16 8
67	18 8
66	£1 0 8

—after which price [66s.] the duty rose regularly a shilling with every shilling fall in price.

One of the great objects of commercial legislation, indeed of all legislation whatever, is to diminish the empire of chance, to enable men to reckon on the results of their actions, or, at least, not to disturb the elements of the calculation. The duties which conform best to this rule are the ordinary *ad valorem* duties. The producer, the importer, and the warehouseman who deals in articles subject to such a duty may calculate on a steadiness of profit even greater than can always be expected under perfect freedom of trade; since what he gains or loses by a rise or fall in price is in some measure balanced by the increase or diminution of duty. A fixed duty contains no such principle of compensation, but it has the great advantage of stability. One portion of the cost of production, often a very important one, is unalterable. One of these duties—an *ad valorem* or a fixed rate—is now ¹¹ adopted in our whole fiscal code. The fixed duty being generally applied to raw produce, the *ad valorem* to manufactures.

But while the sliding scale existed there was one exception. That solitary exception, the single commodity as to which the law strove to aggravate the hazards of commerce, the single commodity on which it imposed a duty not *ad valorem* but *contra valorem*, the single commodity as to which when the price fell the law doubled the importer's loss by a proportionate addition to the duty, and, when it rose, doubled his gain by a proportionate diminution of duty,—the single commodity to which this monstrous legislation was applied was the food of the bulk of the inhabitants of England. It is the commodity of which the legislating classes are the principal producers, and the laboring classes the principal consumers. It is the commodity from which the incomes of the former are derived and on which those of the latter are spent. While this lasted ¹² no one can wonder at Chartism.* ³⁶¹

3. Centralization, Socialism, and Communism: the Rule of the Proletariat. [Having pointed out some of the outstanding results of government control in England, I will now consider briefly a different type of paternalism that has been nurtured in France.] The theory which almost every Frenchman cherishes, as respects himself, [is] that the government exists for the purpose of making his fortune, and [that it] is to be supported only so far as it performs that duty. His great object is, to exchange the labors and risks of a business, or of a profession, or even of a trade, for a public salary.

The thousands, or rather tens of thousand, of workmen who deserted employments at which they were earning four or five francs a day, to get thirty sous from the *ateliers nationaux*, were mere examples of the general feeling. To satisfy this universal desire, every government must go on increasing the extent of its duties, the number of its servants, and the amount of its expenditure. It subjects every Frenchman to the slavery of passports, because they give places to some thousands of officials. It preserves the monopoly of tobacco, because that enables it to give away 30,000 *débts de tabac*. It takes to itself both religious and secular instruction. It has long taken charge of highways, bridges, and canals; the forwarding of travelers and letters. It has secured the reversion of all the railways, and threatens to take immediate possession of them. It proposes to assume insurance of life and against fire; mining; lighting, paving, and draining towns; and banking. Even with the branches of industry which it still leaves to the public, it interferes by prescribing the modes in which they are to be carried on; and by favoring some by bounties, others by loans or gifts, and others by repelling competitors. For these purposes, it pays and feeds 500,000 soldiers, and 500,000 civilians. For these purposes the 500 millions of expenditure, which were enough during the Consulate, rose to 800 in the Empire, to 970 under the Restoration, to 1,500 under Louis Philippe, and to 1,800 millions¹³ under the Republic.* 362

The place-hunting of the higher orders, the socialism¹⁴ of the lower, the intense centralization of France, the paternal administration of Austria, some of Lord Ashley's and Mr. Sadler's plans for England, and all of Mr. Poulett Scrope's for Ireland seem to me to arise from the same deep-rooted error as to the proper functions of government. All arise from a theory that it is in the power of the State to correct the inequalities of fortune. And the error is a plausible one. Men, whose reasoning faculties are either uncultivated or perverted by their feelings or their imagination, see the great power of the State, and do not perceive its limits! They see that it disposes of great resources; and do not perceive how easily those resources may be not only exhausted, but dried up. They are struck by the contrast between great superfluity and great indigence, between lives shortened by indolence and lives shortened by toil; by wealth squandered unproductively while cultivable lands lie waste and laborers ask in vain for employment. When excited by such a spectacle, what is more natural than to propose

laws, by which the toil which appears to them excessive shall be forbidden, by which the government shall provide the strong with employment and the weak with relief; and obtain the necessary funds, partly from the superfluity of the rich, and partly by taking possession of the productive instruments which their present owners are too idle or too timid to turn to the best advantage?

It requires a long train of reasoning to show, that the capital, on which the miracles of civilization depend, is the slow and painful creation of the economy and enterprise of the few, and of the industry of the many; and is destroyed, or driven away, or prevented from arising, by any causes which diminish or render insecure the profits of the capitalist, or deaden the activity of the laborer. And that the State, by relieving idleness, improvidence, or misconduct from the punishment, and depriving abstinence and foresight of the reward, which have been provided for them by nature, may indeed destroy wealth, but most certainly will aggravate poverty.* ³⁶³ Among philosophers this is a conviction; among the higher and middle classes—that is to say, among those to whom an equal distribution of wealth would be obviously unfavorable—this is a prejudice founded partly on the authority of those to whom they look up, and partly on their own apparent interest. But the apparent interest of the lower classes is the other way. They grossly miscalculate the number and value of the prizes in the lottery of life, they think that they have drawn little better than blanks, and believe those who tell them that if all the high lots were abolished everybody might have a hundred-pound prize.

As long as this is the political economy of the poor, there seem to be only three means of governing a densely-peopled country in which they form the large majority. One is to exclude them from political life. This is our English policy, and where we have deviated from it, as has been done in some boroughs, the sort of constituents that the freemen make show what would be our fate under universal suffrage. Another is the existence among them of a blind devotion to the laws and customs of the country. The small cantons of Switzerland—Uri, Schweitz, Unterwalden, Glarus, Zug, Appenzell, and the Grisons are pure democracies. The males of legal age form the sovereign power, without even the intervention of representatives. But they venerate their clergy, their men of birth and of wealth, and their institutions, and form practically the aristocratic portion of Switzerland. A third plan is to rely on military

power—to arm and discipline the higher and middle classes, and support them by a regular army trained to implicit obedience.

This seems to be the only course open to France. She cannot recall universal suffrage and withdraw the attention of the poor from politics. She has promised them the election of a sort of king every four years, of a sovereign Assembly every three years, and of mayors and justices almost every day.

The only law in France for which any affection is felt is the law of equal partition; the only body for whom there is any respect are the parochial clergy: and they are valued principally in consequence of the Socialist tendency of the former and the Socialist opinions of the latter. All their other institutions may be said to exist on trial, and without much expectation or even desire of their permanence.

There remains, therefore, only the third instrument, military force. The majority of the National Guards may be depended on, for they belong to the higher and middle classes, but the army is taken almost exclusively from the lowest. So far as they are politicians, they are Socialists.¹⁵ To a certain extent this is unavoidable. An army in which the average period of service does not exceed six years must share in some measure the feelings and opinions of the people. The 80,000 new conscripts that join it every year must share them completely. Experience, however, shows that an army separated from the rest of the world, and fully occupied in the performance of its duties, quickly acquires an *esprit de corps* of its own, and forgets its early opinions.

The French armies in the first revolution soon ceased to sympathize with the people. The giving votes to the soldiers seems to be an expedient for preventing this change. It reminds the soldier that he is a citizen and a prolétaire, a member of the vast indigent majority whom the wealthy few rob and oppress. After having given in May his vote to a Socialist Committee, is he likely in July to be the foremost to storm a Socialist barricade? * 364

4. The Revolution of 1848 and the Creation of National Workshops. The revolution of 1848 [says M. de Lamartine] was a continuation of that of 1789, with fewer elements of disorder and more of progress. Each was the explosion of a principle (*idée morale*). This principle was the People—the People, which in 1789 threw off servitude, ignorance, privilege, prejudice, and absolute monarchy; the People, which in 1848 threw off oligarchy, monarchy, and exclusive representation, and proclaimed the right as well as the interest of the masses to govern. Now the regular accession of the masses to political power, whatever objections may be

made by a statesman, is a *moral truth*, self-evident to the heart as well as to the intellect of a philosopher. A revolution pregnant with this principle is a revolution which carries with it life. At such a revolution God is present; and when it has passed, the people will be found to have grown in force, in virtue, and in rights.¹⁶

From this view of the causes of the revolution of 1848 I utterly dissent. I believe, indeed, that its ultimate source was a theory; but not, by any means, the theory from which M. de Lamartine deduces it—the theory of universal suffrage. The theory to which I would, in a great degree, attribute the revolution of 1848 is, a disguised Socialism—the theory, [as I have shown in the last section], that the government exists for the purpose of making [one's] fortune and is to be supported only so far as it performs that duty.*³⁶⁵ I believe, [in fact], that the most widespread and deep-seated cause of all the revolutions¹⁷ which have convulsed France since the 18^e Brumaire, have been partly the measures which every government has thought necessary in order to keep up this system [of excessive government control]; and partly the animosity of the excluded factions, which have been constantly endeavoring to upset the existing administration, in the hope of sharing the favors of that which they intended to put in its place.

I do not, of course, believe that the great bulk of those who actually made the revolution [of 1848] were actuated by the hope of power or of place. But that the majority of the educated revolutionists were thus actuated, I have no doubt. I have no doubt that the editors and writers of the “National” and the “Réforme” intended to do precisely what they did—to make themselves the ministers, or functionaries, or *protégés*, the Thiers's, the Rolands, or the Mignets of a new form of government. The masses could have no such pretensions. But they too hoped to profit by a revolution—not, indeed, as individual objects of the favor of the new government, but as partakers of the blessings which the triumph of Socialism was to diffuse.

Besides these, there was a third class of important actors in the revolution, to whom M. de Lamartine has but slightly alluded,—those who took part in it from a mere puerile love of excitement. It is humiliating to be forced to believe, that the secular destinies of France, and, to a considerable extent, those of the whole Continent, have been influenced, and perhaps may be influenced for centuries to come, by a riot got up by a few hundred lads, by way of a lark. But such was the case. Boys of fifteen or sixteen, *illustres gamins*

as they are seriously called by M. Caussidière (*Mémoires*, Vol. I, p. 40), took a principal part in the little of real fighting that took place. A spectator of the Revolution told me that he saw a boy of eleven years old lurk behind a wall and fire on an officer as he rode by. The man fell, mortally wounded; the child ran away, frightened and crying.

Of course it is absurd to suppose that such champions could have been actuated by the serious motives, by the "idées morales," the "soif de perfectionnement," or the "aspiration vers un meilleur ordre de gouvernement," with which M. de Lamartine endows the heroes of the 24th of February; or even by the desire of power, or place, or patronage, for themselves, or for socialist institutions for their country, which I believe to have been the motives of the adult rioters. Such feelings and such desires do not belong to children, however precocious the Parisian *gamin* may be. But, for two or three years they had been reading and seeing representations of the Great Revolution. Theaters were opened, in which it was acted in pieces that lasted, I believe, for whole weeks. The shops and the stalls along the Quays and Boulevards, and in the Courts of the Louvre, were covered with portraits of its chiefs, and with prints exhibiting its principal scenes. Thousands of copies of M. de Lamartine's "Girondins" were sold in cheap forms, in numbers, or by subscription; and probably as many thousands more were lent out to read at a price which the lowest workman could afford. The picturesque vividness with which that remarkable book is written, the dark grandeur with which its sanguinary heroes are invested, the success of every insurrection that is described, the irresistible power which is ascribed to the people, not only familiarized the populace with ideas of revolt and street war, but created, in young and ill-regulated minds, thirsting for new excitement, an intense desire to reproduce such scenes. They wished to see a 10th of August,—and they made one!^{* 366}

The [most] mischievous [reforms of the Provisional Government established after the French revolution of 1848 were] the 19th and 30th decrees—the universal guarantee of employment by the former, and the creation of *ateliers nationaux* by the latter. The engagement to secure employment to all citizens is, when all which it necessarily implies is expressed, an engagement to supply to all applicants materials, tools, and—until those materials have been worked up, sold, and paid for—subsistence. Or, in other words, to provide every applicant with capital; and when he has lost it, or

destroyed it, to give him fresh supplies; to take the property of the rich—that is to say, the fruits of industry, abstinence, and skill—and transfer it to the poor—that is to say, to those who, by idleness, or vice, or imprudence, or the ill luck which is the result of unobserved defects of character, have been deprived of wealth, or have been unable to acquire it; to produce equality, but certainly not equality of happiness.

M. de Lamartine looks on socialists¹⁸ with pity, and on communists with horror; but M. de Tocqueville, in his great speech on the *droit au travail*, clearly showed that, if enforced, these decrees, [sponsored by M. de Lamartine], must end in the one or the other.

If the state (says M. de Tocqueville) attempts to fulfill its engagement by itself giving work, it becomes itself a great employer of labor. As it is the only capitalist that cannot refuse employment, and as it is the capitalist whose workpeople are always the most lightly tasked, it will soon become the greatest, and soon after the only, great employer. The public revenue, instead of merely supporting the government, will have to support all the industry of the country. As rents and profits are swallowed up by taxes, private property, now become a mere incumbrance, will be abandoned to the state; and, subject to the duty of maintaining the people, the government will be the only proprietor. This is Communism.

If, on the other hand, the state, in order to escape from this train of consequences, does not itself find work, but takes care that it shall always be supplied by individual capitalists, it must take care that at no place and at no time there be a stagnation. It must take on itself the management of both capitalists and laborers. It must see that the one class do not injure one another by overtrading, or the other by competition. It must regulate profits and wages—sometimes retard, sometimes accelerate, production or consumption. In short, in the jargon of the school, it must organize industry. This is Socialism.¹⁹

The necessary consequence of the 19th decree, promising employment to all applicants, was the creation of the *ateliers nationaux* by the 30th. These workshops were immediately opened in the outskirts of Paris. A person who wished to take advantage of the offers of the Government, took from the person with whom he lodged a certificate that he was an inhabitant of the Département de la Seine. This certificate he carried to the mairie of his arrondissement, and obtained an order of admission to an *atelier*. If he was received and employed there, he obtained an order on his mairie for forty sous. If he was not received, after having applied at all of them, and found them all full, he received an order for thirty

sous.²⁰ Thirty sous is not high pay, but it was to be had for doing nothing; and hopes of advancement were held out. Every body of eleven persons formed an escouade; and their head, the escouadier, elected by his companions, got half a franc a day extra. Five escouades formed a brigade; and the brigadier, also elected by his subordinates, received three francs a day. Above these again were the lieutenants, the chefs de compagnie, the chefs de service, and the chefs d'arrondissement, appointed by the government, and receiving progressively higher salaries.²¹ Besides this, bread was distributed to their families in proportion to the number of children.²²

The hours supposed to be employed in labor were nine and a half.²³ I say *supposed* to be employed, because all eleemosynary employment, all relief work, all parish work, (to use expressions which have become classical in Ireland and in England) is in fact nominal. When the relations of the laborer and the capitalist are in the state which in a highly civilized society may be called natural, since it is the form which, in such a society, they naturally tend to assume, when undistorted by mischievous legislation, the diligence of the laborer is their necessary result. As he is paid only in proportion to his services, he strives to make those services as valuable as he can. His exertions perhaps ought more frequently to be moderated than to be stimulated. A large proportion of our best artisans wear themselves out prematurely. In another state of society, which is also natural in a lower civilization—that of slavery—a smaller, but still a considerable amount of industry is enforced, by punishment. But in eleemosynary employment there is absolutely no motive for the laborer to make any exertion, or for the employer, a mere public officer, to enforce it. The laborer is, at all events, to have subsistence for himself and his family. To give him more, would immediately attract to the public paymaster all the laborers of the country; to give him less, and yet require his services, would be both cruelty and fraud. He cannot be discharged,—he cannot be flogged,—he cannot be put to task-work,—since to apportion the tasks to the various powers of individuals would require a degree of zealous and minute superintendence which no public officer ever gave. When the attempt was made in Paris, men accustomed to the work earned fifteen francs a day, those unaccustomed to it, not one.

This semimilitary organization, regular payment, and nominal work, produced results which we cannot suppose to have been unexpected by the Government. M. Émile Thomas tells us that in

one mairie, that containing the Faubourg St. Antoine, a mere supplemental bureau enrolled from the 12th to the 20th of March more than 1,000 new applicants every day.²⁴ A list of those who had been enrolled on the 19th of May amounts to 87,942.²⁵ A month later it amounted to 125,000,—representing, at 4 to a family, 600,000 persons—more than one-half of the population of Paris.

To suppose that such an army as this could be regularly organized, fed, and paid, for months in idleness, and then quietly disbanded, was a folly of which the Provisional Government was not long guilty. They soon saw that the monster which they had created could not be subdued, if it could be subdued at all, by any means short of civil war. Without doubt the course that the revolution of 1848 had taken had spread an unusual amount of terror among capitalists. There was probably greater alarm, and therefore greater want of employment, than in 1830. It may have been consequently necessary to provide relief on a larger scale; but I firmly believe that such relief might have been given by means comparatively innocuous. It was not the 30th decree, creating the *ateliers nationaux*, which occasioned the rebellion of June. It was the 19th,—that which guaranteed employment to every citizen, and recognized the right of workpeople to combine. Had not that decree been issued, relief to the unemployed would have been given, *as* relief. It might have been subjected to conditions to which none but the destitute would have submitted; and, though subject to these conditions, if tendered as charity, it would have been accepted with gratitude. But the 19th decree converted it into a debt; and the first consequence was to deprive the Government of all power of selection. Lamartine tells us that the greater part of the applicants were idlers and agitators; that the *ateliers* became deposits of laziness, vagrancy, vice, and sedition. Under the 19th decree this was inevitable. The decree guaranteed employment—not to the diligent or to the well-disposed, but to all. Now, to guarantee *subsistence* to all—to proclaim that no man, whatever be his vices or even his crimes, shall die of hunger or cold—is a promise that in the state of civilization of England, or of France, can be performed not merely with safety, but with advantage; because the gift of mere subsistence may be subjected to conditions which no one will voluntarily accept. But *employment* cannot safely be made degrading, and cannot practically be made severe.

The latter part of the decree, which was a public encouragement of combinations, aided by the 42d decree, published three days

after, which proclaimed that the revolution had been made by the people and for the people, and that it was time to put an end to the long and unjust sufferings of the laboring population, of course produced an immediate crop of combinations. They followed their accustomed tactics—the unions of the different trades appointed committees, the committees ordered strikes, and the *ateliers nationaux* enabled those orders to be carried into execution.

The workpeople were told, You may fold your arms; the Government cannot starve you; you will have it all your own way. Quit your masters, or ask wages that will force them to discharge you; their establishments must be closed, the Government will take possession of them, and hand them over to you.²⁶

As they were managed, the *ateliers nationaux*, it is now admitted, produced or aggravated the very evils which they professed to cure or to palliate. They produced or continued the stagnation of business which they were to remedy; and, when they became absolutely intolerable, the attempt to put an end to them occasioned the civil war which they were to prevent.* ³⁶⁷

CHAPTER II

GOVERNMENT REGULATION OF HOME AND FACTORY CONDITIONS

1. Introduction: Laissez Faire and Governmental Intervention. 2. Sanitation and Housing Legislation. 3. Limitation of Hours of Labor for Adults and Children. 4. Merits and Defects of Restrictions against Female Labor.

1. Introduction: Laissez Faire and Governmental Intervention. [In view of the outstanding results of misdirected government control, as indicated in the last chapter, the question is at once raised], what is the proper limit to the functions and to the agency of government? Is it true that governments ought to confine themselves to affording protection against force and fraud, and that, these two things apart, people should be free agents, left to take care of themselves, and while they practice no violence or deception to the injury of others, entitled to do as they like, without being molested or restricted by judges and legislators?

The strong argument for restricting the functions of government to the mere duty of affording to its subjects protection against foreigners by war or by negotiation, and against one another by the administration of civil and criminal justice, is that this is the field in which the interference of government is not only obviously the most useful, but also obviously the least dangerous. A government may manage ill the foreign affairs of a nation; but we may be sure that it will manage them better than would be done by the people themselves. It may be partial in its administration of justice; but it will be more impartial than each man would be if he were to be judge in his own case. But as soon as it exceeds this narrow limit, as soon as it tries to make men not merely safe but happy, as soon as it tries to impose on them the belief and the conduct which it thinks most conducive to their welfare; when it endeavors to force them to get rich, and if it fail in that tries to protect them from the evils of poverty,—these are attempts so liable to fail, indeed to do worse than merely to fail, so liable to produce results precisely the reverse of those intended by the legislator, so liable to aggravate the

evils which he proposes to remedy, and to introduce others which could not have arisen without his rash intervention, that many political thinkers have affirmed that they ought never to be made. But this objection, in its largest and most peremptory sense, cannot be supported. I am even inclined to disapprove of [the] use of the word "optional" as applied to the functions of government. Like the words "boon" or "concession," it seems to imply that there may be useful measures which the government of a country may at its discretion adopt or reject.* ³⁶⁸

The only rational foundation of government, the only foundation of a right to govern and of a correlative duty to obey, is expediency—the general benefit of the community. It is the duty of a government to do whatever is conducive to the welfare of the governed. The only limit to this duty is its power. And as the supreme government of an independent state is necessarily absolute, the only limit to its power is physical or moral inability. And whatever it is its duty to do it must necessarily have a right to do.

The opinion which I am controverting appears to have been produced by the fact that the expediency of the exercise of some of the powers of government is more obvious than that of the exercise of some others. It is obviously expedient that a government should protect the persons and the property of its subjects. But if it can also be shown to be expedient that a government should perform any other functions, it must also be its duty and its right to perform them. The expediency may be more difficult of proof, and until that proof has been given, the duty and the right do not arise. But as soon as the proof has been given they are perfect. It is true that in such matters a government may make mistakes. It may believe its interference to be useful when it is really mischievous. There is no government which does not make such mistakes; and the more it interferes the more liable it must be to them. On the other hand, its refusal or neglect to interfere may also be founded on error. It may be passively wrong as well as actively wrong. The advance of political knowledge ²⁷ must diminish both these errors; but it appears to me that the most fatal of all errors would be the general admission of the proposition that a government has no right to interfere for any purpose except for that of affording protection, for such an admission would prevent our profiting by experience, and even from acquiring it.* ³⁶⁹

[It must be observed, however, that] the greatest objection to the extension of government interference, [is] its tendency to keep the

people in leading strings, and to deprive them of the power to manage their own common affairs, by depriving them of the practice without which the arts of administration cannot be acquired. When I have been examining the high organization of many parts of the Continent, where an enlightened central authority educates the people, provides their roads and public buildings, directs their industry, keeps them to their hereditary trades and to their hereditary abodes, and their hereditary sects,—thinks for them, in short, in all public and in almost all private matters, I am sometimes disagreeably struck by the contrast of the rude local administration of England, with its narrow-minded prejudices, its jobbing and its negligence. But to this centralization is to be ascribed the childishness and sluggishness of most Continental populations in quiet times; and the madness which seems to seize them if the central power once drops the reins. From unreflecting obedience and torpor, they pass at once to equally unreflecting rebellion, civil war, and foreign war.* ³⁷⁰

[In a former chapter I remarked ²⁸ that it is in the power of the government of a country materially to alter the degree in which wealth is desirable by diminishing either the positive advantages of wealth or the positive disadvantages of poverty. The first mode has already been duly considered. The remainder of this treatise will be devoted to a consideration of] some of the cases in which governments have interfered for the purpose of palliating some of the evils of poverty. They must not be confounded with those in which governments have interfered to prevent poverty, by imposing restrictions for instance on marriage, by the equal division of inheritances or by preventing artificers from quitting their trades; nor again with the measures which they have adopted for the purpose of producing wealth, such as sumptuary laws, laws enforcing apprenticeships or attempts to secure a favorable balance of trade. I confine myself to the cases in which governments, without attempting to prevent the existence of poverty have tried to diminish its evils.* ³⁷¹

2. Sanitation and Housing Legislation. In the first place, it is in the power of a government considerably to palliate the evils of defective habitation. It cannot, of course, enact that every family shall have five well-built, well-ventilated rooms, any more than it can enact that every family shall live on roast beef; but it can prohibit the erection of houses without drainage, or in courts, or back to back. It can require streets to be paved, it can regulate

their width and the thickness of the walls. In short, it can provide prospectively against the creation of new seats of disease and vice.

To deal with those which already exist is more difficult. No one denies the right in the state to interfere to prevent a man from injuring others. It exercises this right when it forbids him to build a row of undrained cottages. But the right of the state to interfere to prevent a man from injuring himself supposes that the legislator knows better how to manage the affairs of an individual than the man himself does. In the present case this supposition is true.

One of the most painful parts of the evidence collected by the Committee on the Health of Towns, is the indifference which it shows among those who inhabit these unhealthy districts. "I found it," says Mr. Mosely, speaking of the bad portions of St. John's and St. Margaret's, Westminster, "the most difficult matter to convince the occupiers of these neighborhoods of the injury it is doing them: they are ill, but they do not know why. The especial tendency of a contaminated atmosphere is to deaden the mental and bodily energies." "I do not know," says Dr. Duncan of Liverpool, "that they are at all aware of the noxious influence of the situations in which they live, and of the want of fresh air and light, and of the nuisances and filth collected round them. They seem to be utterly ignorant on all these points; they have no idea whatever of the prejudicial effects of these things."

But admitting that in this instance this formidable objection to the interference of government to prevent men from acting unwisely does not exist, a still more serious one is the physical difficulty of providing residences for those whose habitations it condemns. It is remarkable that this class of difficulties is one which those who attempt to legislate on what they call the principles of humanity generally refuse to take into account.

Under their direction the legislature often forbids men and women to do certain things which it thinks injurious to their happiness without considering what are to be the substitutes for those things. The description ²⁹ of the Liverpool cellars [contained in] the Report of the Health of Towns Committee alarmed, as well it might do, the public. An Act "for promoting the health of the inhabitants of Liverpool" was passed in 1842. It prohibited residence in cellars not of the size and description prescribed by the act. Four years afterwards Mr. Rushton, the chief magistrate of Liverpool, whose duty it was to carry the act into execution, in his evidence before the

House of Commons Committee on private bills gave the following account of the operation of the act.

When that bill passed into a law, 7,325 cellars were separately occupied in the Borough of Liverpool, containing a population of 24,072 souls. Of those 7,325 cellars, fewer than 500 were in conformity with the Act of Parliament; so that 22,364 persons were prohibited by the passing of that Act from living in their usual places of abode. There were also at that time 1,252 cellars in courts, containing about 5,000 souls, in which the inhabitants were absolutely prohibited by that law from living; therefore, if the Act had been enforced, all those persons must have been ejected from their abodes, and no adequate provision made for their accommodation. Under those circumstances, certain officers of the Sanatory Commission were sent to enquire from me what the operation of the Act would be. I explained to them that it was an Act which the local authorities could not enforce without the greatest cruelty, and furthermore, that the local authorities as far as I was concerned, and the magistrates would not enforce it, except by very gradual and cautious means. The powers under that Act cannot be enforced for many years.

Then in what way do the magistrates act when those parties are brought before them?

When a woman has said to me, "I have lived here twenty or thirty years; the place is good enough for me; I can get nothing better,"—I have asked what arrangements have been made and I have said to the overseers: "I cannot eject all this crowd of people from these places unless you will receive them till other places can be provided."

To use the words of another witness before the same committee (p. 52),

the consequence of that Act, had it been carried into operation as it ought to have been according to the Act itself, would have been that on a single day 20,000 poor persons would have been turned out of their houses without reference to whether they were sick, aged, or infants, and without having any places to put their heads in.* ³⁷²

3. Limitation of Hours of Labor for Adults and Children. Another means which governments have sometimes employed to diminish the evils of poverty has been to limit the days or the hours of labor. I do not reckon among these attempts what may at first sight appear to be the most important limitation, the institution of a seventh day of rest. It is true that almost all Christian governments give their aid to the ecclesiastical regulation which prohibits certain acts of work on Sundays; ³⁰ but they do this on religious not on political grounds. Without doubt it is a most useful institu-

tion—one of the institutions to which we owe the superiority of modern over ancient civilization, and it is an institution which though eminently beneficial to the rich is still more beneficial to the poor; but I do not believe that if the divine command to the Israelites had not set the example, a mere expectation of its utility ³¹ would ever have occasioned it to be adopted. I am not sure that our conviction of its utility would lead us to continue it, if we could abandon it without feeling that we committed a breach of religious duty. The French when they ceased to be Christian gave up Sunday, and even now observe it very imperfectly. The legislation to which I now allude is that which limits the periods of labor simply on the ground that such a limitation is beneficial to the laborer. The most remarkable instances of this legislation are the Factory Acts of which two have passed—one in 1833, [the 3 and 4 William IV, cap. 103], and another in 1844, [the 7 Victoria, cap. 13], and a third has gone through the House of Commons and is now in the Lords, [the 10 Victoria, cap. 29].

The first forbade the employment of children under thirteen years of age in mills and factories for more than eight hours a day, and the employment of persons between the ages of thirteen and eighteen—technically called young persons—at night, or for more than 69 hours a week, or $11\frac{1}{2}$ a day. The second act restricted the employment of children to six hours a day and put all women of whatever age on the footing of young persons—that is to say, forbade them to work at night, or for more than $11\frac{1}{2}$ hours a day. The third, which is still pending ³² proposes to enact that after the 1st of May 1848, no person under the age of eighteen and no female of any age, shall be employed in a factory ³³ for more than ten hours in any one day or more than 58 hours in any one week.

Two objections have been made to the principle of this legislation.

One is an objection to which I have already alluded, namely, the supposed principle that the right of a government to control the conduct of its subjects is limited to that portion of their conduct which directly affects third persons. So far as they do not directly injure others they ought, it is said, to be their own masters, masters of their time as well as of their strength, and no more liable to be called to account for working too long than for working too hard.

The property (says Adam Smith) which every man has in his own labor as it is the original foundation of all other property, so it is the most

sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbor, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman and those who employ him. As it hinders him from working as he thinks proper, so it hinders the others from employing him as they think proper.³⁴

This objection I have already answered. I have already proved, I think satisfactorily, that it is the duty, and therefore the right, of a government to take any measures, however they may interfere with the will of individuals, which are conducive to the general welfare of the community.

The other objection concedes the right of a government to interfere to prevent conduct which may be only indirectly mischievous to third persons. It admits, for instance, that emigrants may be forbidden to embark without providing themselves with necessaries for the voyage. Since by doing so the improvident might exhaust the stores of the provident. It admits that persons may be forbidden to inhabit certain dwellings, their residence in which might occasion contagious disease. But it refuses to a government the power of judging whether it can beneficially interfere to protect the laborer against himself. It affirms that a government which thinks that it knows his interests better than he knows them himself will generally be mistaken; that the few cases in which it will judge correctly will be more than compensated by the many in which it will judge erroneously; and that it is better, therefore, to prescribe noninterference³⁵ as a universal rule than to allow exceptions, which in the majority of cases will be mischievous.

To children this reasoning is obviously inapplicable. They cannot judge for themselves; and if they could, they are not free agents. Nor can it be said that their interests may be safely trusted to their parents. When the child earns wages which the parent spends, the immediate interest of the parent and the permanent interest of the child are in many respects opposed. And whole folios of evidence show that in the uneducated classes indolence and intemperance will generally render the father, and sometimes even the mother, ready to sacrifice the education and the health of her child, if that sacrifice will give the parent some exemption from labor or some additional indulgence in stimulants. With exceptions so few as to be immaterial, all the illtreatment and overworking of children dis-

covered in the factory inquiries was illtreatment and overworking by their own parents.

It is difficult perhaps to limit precisely the duration of childhood. It appears to me however that among the laboring classes, who must struggle early with the realities of life, it ends, so far at least as the absence of free agency is concerned, at 16. That is the age at which the parent ceases to be legally bound to maintain the child, and at which therefore it receives its own wages, and often manages its own expenditure. So far, therefore, as respects males between the ages of 16 and 18 the argument in question applies.* ³⁷³

4. Merits and Defects of Restrictions against Female Labor. As respects females the legislature seems to deny that at any age whatever they are to be trusted with the management of themselves. It considers them, as some Asiatic legislators have considered them, as in a state of permanent blindness or permanent subservience: either as unable, whatever be their age, to know whether night work or long hours are good for them or not, or as unable to act on their knowledge. I believe this view of the female character to be a mistaken one, especially in the manufacturing population. I believe them to have as clear a perception of their own interest and as much determination and as much power to follow it, as belong to their brothers or to their fathers. I utterly disapprove, therefore, of the principle of the act of 1844 and of the present bill, so far as they place adult women on the footing of children. And I am inclined to agree in the doctrine that, so far as respects persons, whether male or female, above the age of 16 the interference of the legislator to force them to manage their own affairs in the way they do not think most conducive to their welfare, is an interference so likely to be mischievous that it is better to forbear it altogether. It must be recollected that as the supreme authority is necessarily unrestrained, as there is no arbiter between it and its subjects, there is no medium between its interference with their conduct as affecting themselves wherever it thinks fit, and its abstaining from such interference altogether. The government itself must be the judge as to the truth of the premises which it assumes, and as to the correctness of the conclusions which it draws from them. There is no authority to which they can appeal against its errors as to facts or as to inferences.

A third objection to the legislation which I have described is founded not on its general principles but on the facts of the partic-

ular case. The question logically stated stands thus. The supporters of the Factory bill now in the House of Lords rest on the following syllogism:

The legislature ought to interfere whenever it believes its interference to be useful.

Its interference to shorten the hours of adult labor in factories is useful.

Therefore it ought so to interfere.

The first two objections deny the major. The third denies the minor. It admits that if the evils of poverty would be diminished by a legal limitation of the hours of labor such a limitation ought to be enforced. But it denies that such will be the result of the bill. It maintains that increase of leisure will be dearly purchased by diminution of wages. That if no female of any age and no male under 18 is allowed to work in a factory for more than 10 hours a day, 10 hours a day will be the utmost time for which the machinery can be kept at work. That the English capitalist using his machinery for only 10 hours a day will be undersold by the German or the American who employs his for 12, 13, 14 and even 15. That the factories which work for the foreign market must be closed, and with them the means of clothing, feeding, and supporting many hundreds of thousands of workpeople. That this will occasion a general fall of wages and a general diminution of comfort, among those who adhere to their present occupation, and will drive the remainder into other employments, more laborious, more irksome and above all, more unhealthy than the comparatively light labor which is exerted in the warm and airy halls of a well-regulated factory. Employments which, not being carried on, like those of a factory, in public, are unsusceptible of control on the part of the legislator, except through a system of inspection and intrusion which the Englishman is not yet ready to submit to.

Into this discussion I shall not at present enter. I have given this brief outline of the factory question merely as a specimen of the attempts made by governments to palliate that portion of the evils of poverty which arise from overwork and of the dangers incident to such attempts.

This sort of legislation is at present in its infancy. It dates from the Reform Act which pushed into the House of Commons a large party depending on the favor of the uneducated classes, and bound to flatter their prejudices, and has as yet been but slightly imitated abroad. The last instance of it I shall mention is the 5 and 6

Victoria, cap. 99, passed in 1842, which forbids females to work in collieries. I class it with the Factory Acts, though its object is somewhat different. The legislator prohibits the presence of women in collieries believing that it leads to immorality and makes them bad wives and mothers. It attempts to improve the condition of the colliers by improving the female portion of the collier population. I believe that this proposition is not open to the third objection which has been made to the Factory Acts. I do not think that the minor premises can be denied. It does appear from the evidence collected by the Commissioners of Mines and Collieries that if there be any work for which females are peculiarly unfit it is this; that their bodies are injured by its severity, and their minds by association with men whom the heat of the mine often forces to go without clothes. And it appears by the report of Mr. Tremenhare, the Commissioner appointed to inquire into the operation of the Act, that it has worked on the whole remarkably well. The colliers themselves, who at first resisted it, would now regret its repeal. But it was immediately followed by cases of great individual suffering. The legislators for the poor, and I fear that this accusation affects peculiarly those who assume the title of humane, seem to care little for individuals. The act, passed on the day of , 1842, enacted that after the day of following no female should work in a colliery. About weeks were given to thousands of women and girls, many of whom had grown up in the business, and none knew any other trade to find for themselves some means of subsistence.

The evidence embodied in Mr. Tremenhare's first report contains some of the results. Mr. Adamson, the minister of Newton in Midlothian, estimates at 119 the unmarried women in his parish whom the Act suddenly deprived of their trade.

Some of these (adds Mr. Tremenhare) have been reduced from a position in which they could feed and clothe themselves in comfort and decency to the necessity of resorting to the most humiliating employments, such as collecting dung on the roads. Two daughters aged 49 and 40 respectively of a father aged 75 being left to shift for themselves have had recourse to making and vending clamstone. In this occupation, when the weather admits of their going abroad they make on an average 3*d.* a day, and to do this they sometimes have to walk as far as Haddington, a distance of 14 miles. I had opportunities of seeing many whom the act had thrown into privation. They were anxious to tell their simple tale of distress consequent on their enforced idleness, and to testify their

anxiety to get their work. Their scanty dress and general aspect of depression sufficiently showed it.

When the Act passed (says Mr. Baird of Lanarkshire) we had seventy females down the pits. Between 20 and 30 were supporting aged parents, or themselves, having none to help them; and some girls, orphans, were supporting their younger sisters. We have great difficulty in preventing them from going into our pits which have stairs. Rather than not work they rise and go down before daylight, and in consequence of the people all commiserating them no one will give a hint of what is going on.

If any of the higher classes, any of those who can force the public to hear their case, had been thus sacrificed to the public good, they would have demanded compensation and would have received it. I ought perhaps to include among the evils of poverty the carelessness with which the individual interests of the poor are dealt with by the legislature, and particularly, as I have before remarked, by those who profess peculiar humanity.* 374

CHAPTER III

THE ADMINISTRATION OF PUBLIC RELIEF

1. Unemployment and Destitution: the Right to Relief. 2. Principles of Public and Private Charity. 3. Origin and Development of English Poor Laws.

1. Unemployment and Destitution: the Right to Relief. Another of the evils of poverty a government in certain states of society can completely remove, and that is the occurrence or even the dread of destitution. Actual destitution, that is, death from want, is of course one of the worst of human calamities; and the approach to it, the suffering and disease produced by insufficiency or bad quality of nourishment or warmth is a state of misery. The removal of such misfortunes is a diminution, though perhaps not a very considerable one, of the evils of life. The removal of the *fear* of such misfortunes is a very great one. In a civilized society in which the government does not interfere, the proportion of those who perish directly or even indirectly from want is always trifling—not one-hundredth, probably, of those who die from the opposite causes, intemperance and self-indulgence. But while very few suffer the actual evil, a very small part of the mass of the people can always be free from its apprehension.

A man who has no property and who relies for his own bread and that of his family on his share in producing a commodity which is to be sold perhaps in another hemisphere,³⁶ or which depends on mere fashion for its utility, can never quite banish from his mind the fear, that the day may come when his services will be no longer wanted. Those who, like a shoemaker or an agricultural laborer, are free from this source of apprehension must know that they hold their employment by the tenure of health, and that their income may diminish or cease just when there will be the most need of it. A man must be very sanguine who can look on such contingencies without occasional depression.

In countries where the distress is not relieved by the state, the laborer generally endeavors to become the proprietor or at least the occupier of a plot of land, which will afford him a store of food to fall back upon when he is out of employment. But this exposes

him to the chances of the seasons—a danger greater than that of dependence on an employer. The latter may fail, the former unquestionably will—more frequently in some crops and in some climates than in others, but occasionally in every country and in every sort of cultivation. Against this danger the farmer of two or three hundred acres is protected by the difference of his crops. All cannot fail together. The cultivator of one acre cannot indulge in such variety. A bad year destroys all his hopes.

Now this cause of unhappiness can be removed. It is in the power of a government to say that not one of its subjects shall perish by want. The English Government has said this for more than two centuries and has kept its engagement. But for this purpose the government, or a large portion of its subjects, must be rich. A poor country in which there was little superfluous wealth might make such a promise and in ordinary times might keep it. But in seasons of pressure it must fail. A country in which the bulk of the people in good times have little beyond their wants, must suffer famine in bad times.

But though the government of a rich country has the power to relieve the poor from the dread of destitution, and though such a relief is a removal of one of the great evils of poverty, it does not follow that the exercise of this power will always be useful. Its due exercise, its exercise in a manner which will not occasion much more evil than it removes requires great sagacity on the part of the legislator and great vigilance, firmness, and activity in its administrators. To be effectual the law must give a *right*³⁷ to relief. A discretionary power to relieve vested in a public officer would palliate the fear of destitution but would not remove it. But a right to relief impairs one of the motives to industry and to providence. It weakens, therefore, two of the most useful of our moral principles. Again the hope of assistance, to be gained by the appearance of poverty, is just the converse of the fear of taxation to be incurred by apparent wealth. We have seen that such a fear is destructive of wealth. It is equally true that such a hope is creative of poverty. The best devised and the best administered law which gives a right to relief sells a great benefit very dearly. An ill-framed and ill-administered one threatened not twelve years ago to destroy the industry of the most laborious, the wealth of the richest and the morality of the most civilized nation in Europe.*³⁷⁵

2. Principles of Public and Private Charity. The desire to relieve distress is one of the most powerful impulses in human nature.

It is compounded, as is the case with almost all our strong principles, of several ingredients: of great pain in contemplating unrelieved suffering; of great pleasure in contemplating the happiness of those who are relieved, even if we take no part in affording relief; and of still greater pleasure, from the gratitude and veneration of those whom we relieve ourselves.* ³⁷⁶ But, like all our other natural principles, charity is not afforded to us in exact proportion to the demand for it; sometimes it is excessive, much more frequently it is deficient, and still more frequently ill-directed.* ³⁷⁷ Charity, if excessive or ill-directed, injures the self-respect, the industry, and the providence of the receiver. And even if applied beneficially as respects its object, its amount may be so great in proportion to the means of the giver, as to impair his fortune, and to injure his happiness and usefulness. To each of these evils nature opposes antagonist principles.

It opposes to excessive liberality the desire to possess, to enjoy, and to accumulate. It protects us from ill-directed charity, by making our sympathy with want dependent, in a great measure, on our acquaintance with the sufferer. It leads us, therefore, to give aid chiefly to those whom we know, and in proportion to our knowledge of them. Our own relations, our own friends, and our own dependents are the great objects of our bounty: their sufferings give us most pain, their relief and their gratitude give us most pleasure; and our intimate knowledge of their character, and of the nature and of the causes of their distress, enables us to relieve them in the degree and in the manner least injurious to their independence, their exertion, and their forethought. Such is the force of these antagonist principles, that our charitable feelings, if unassisted by the sanctions of law or of religion, seem likely to err rather from deficiency than from excess. To interfere, however, with the principles given to us by nature; to remove the obstacles which she has placed in the way of certain lines of conduct, and to substitute for them regulations of our own, is always a most delicate experiment. It can succeed only when the legislator is fully aware of his danger; when he endeavors to make as little change as possible, and carefully inserts new checks and new barriers in the room of those which he takes away.* ³⁷⁸

The difficult problem how public relief may be best afforded, has exercised the minds of all reflecting men for the last two hundred years. On no question in political science have the facts been so abundant, or so carefully collected and arranged, or made matter of

such diligent comment. The subject is far from exhausted, but a few leading principles have been established.

One is, that public and private charity must be governed by rules so different as to have little in common. Both indeed may be misdirected, but only one of them can be corrupt. A man who gives from his own purse may be mistaken: he may be too indolent, or too busy, to inquire as to the facts which form the case of the applicant, or too ignorant to know how to deal with them; but his motives at least must be pure. All that he gives is taken from his own means of enjoyment. The man who gives out of his neighbor's purse makes no sacrifice whatever. He indulges his sympathy without expense. It is obvious that this alone may be the source of unbounded profuseness. *Nemo tam parcus quin prodigus ex alieno.* But other motives soon step in. He finds that popularity and influence can be obtained; that his dependents or relations can be provided for; that his tenants and debtors may be rendered solvent; that his customers may be supplied with funds, and his laborers with wages. Hence came the maladministration which brought England to the brink of ruin.

Experience has now taught us a further principle—namely, that the check must be imposed, not on the giver, but on the receiver; that the extension of relief to unfit objects must be prevented, by requiring it to be accompanied by conditions to which none but fit objects will submit; and, for this purpose, that *public relief must be so administered as to render the situation of its recipient less eligible than independence.* ³⁸

This is one of the points on which private and public charity most remarkably differ. Private charity strives to prevent its gifts from occasioning pain. It hides them from the world, and even from the object himself. It disguises them in the form of loan, or of employment. It wishes him to believe that what is really a gift is a payment—the result, not of his poverty, but of his industry and good conduct.

Public charity, on the contrary, must necessarily be open and avowed. Its distributors deal with other men's property; they are the guardians of a public fund. To escape the grossest jobbing and partiality, they must act on fixed principles. Their duty is not to reward industry or good conduct, but to relieve indigence. In attempting to perform this duty, they incur two great dangers: first, that indigence will be simulated; and, secondly, that when real, it will have been occasioned or promoted by the prospect of relief.* ³⁷⁹

It is a strong proof that this world is a place of trial, that none of our affections are absolutely good or absolutely evil. The medium in which excellence consists may, as to some emotions, be nearer to one extreme, as to others to the other; but it always *is* a medium. Even the malevolent passions may be deficient, and the benevolent excessive. Charity is no exception to the general rule. Subjectively considered—that is to say, as respects the person *from* whom relief is asked—I believe that the more mischievous extreme is deficiency. I believe that the man who systematically rejects every application, injures his own mind more than he whose bounty is careless, and therefore indiscriminate. But, objectively, considered—that is to say, as respects the *applicants* for relief, and the society of which they form part—I have no doubt that the balance of evil is on the side of profuseness.

The mass of mankind will not work for themselves, save for themselves, or even think for themselves, if they can get others to do it for them; many will give up, and almost all will relax, their industry, activity, and forethought, if they believe that a substitute for their results is to be obtained from charity. Sometimes indigence will be counterfeited in the hope of relief, but more frequently it will be actually incurred. The candidate for alms lives from hand to mouth. Whatever he gets he wastes in immediate sensual enjoyment, or hoards in the form of money about his person. His claim would be diminished if he or his family showed an appearance of comfort. It would be diminished if he were known to be in regular work as a laborer, or successful as a little farmer or cottier. Indeed the professed mendicant, who relies on voluntary alms for his whole or his principal support, has seldom a fixed habitation. He would quickly wear out the charity of his neighbors; he becomes therefore a wanderer, and hence mendicancy and vagrancy are often treated as synonymous.

The wish to be what, in the language of the laboring classes, is called respectable—to appear to be above indigence, and even on the way to comparative wealth, is the great source of their improvement. It is the great source of their diligence, their frugality, their cleanliness, and their health. When this motive is not merely absent, but is replaced by an opposite desire ³⁹—when the object of the family is to appear miserable, no one can doubt the certainty or the rapidity of its degradation.

To check mendicancy is, therefore, one of the most anxious tasks of a government which strives to improve the condition of its

people. One expedient is to punish vagrancy; for vagrancy, as I have remarked, is the most profitable form of mendicancy. In many parts of the Continent the vagrant is what he was formerly in England—an outlaw, hunted down, whipped, and perhaps enslaved for life.

Sometimes the state endeavors to prevent the imprudence which leads to it, by prescribing to the laboring classes the employments which it thinks most for their benefit—by punishing idleness, and by impeding marriage.⁴⁰ This is what is called paternal government, under which the people are treated as children, and denied freedom of action lest they should abuse it.

When these expedients fail, and they always do fail, the state sometimes tries to restrain the donor, as well as the recipient, by prohibiting indiscriminate almsgiving. This attempt also uniformly fails. Men will not coöperate as prosecutors, or witnesses, or judges, in punishing benevolence, however misdirected.

Another expedient is to give to all the destitute a legal right to relief, and thus to disarm the mendicant of his weapon—the plea of destitution. This is certainly a powerful damper of indiscriminate almsgiving. It enables the really charitable to confine their assistance to the cases which they have an opportunity of examining, and which on investigation appear to deserve relief different from that which the law affords. And it gives to the busy, the indolent, and the penurious, an excuse for indiscriminate refusal. But these advantages, such as they are, are generally purchased at an extravagant price.* ³⁸⁰

3. Origin and Development of English Poor Laws. The Committee of the House of Commons which considered the Poor Laws in 1817, commence their able report by stating, that “the principle of a compulsory provision for the impotent, and for setting to work the able-bodied, originated, without doubt, in motives of the purest humanity.” From this statement, plausible as it is, I utterly dissent. I believe that the English poor laws originated in selfishness, ignorance, and pride. Better motives, without doubt, though misdirected by almost equal ignorance, dictated the changes which were made in those laws during the 18th century—the fourth which elapsed from their commencement; but I am convinced that their origin was an attempt substantially to restore the expiring system of slavery.

The evils of slavery are now understood: it is admitted that it destroys all the nobler virtues, both moral and intellectual; that it

leaves the slave without energy, without truth, without honesty, without industry, without providence—in short, without any of the qualities which fit men to be respected or even esteemed. But mischievous as slavery is, it has many plausible advantages, and freedom many apparent dangers. The subsistence of a slave is safe; he cannot suffer from insufficient wages, or from want of employment; he has not to save for sickness or old age; he has not to provide for his family; he cannot waste in drunkenness the wages by which they were to be supported; his idleness or dishonesty cannot reduce them to misery; they suffer neither from his faults nor his follies. Again, the master thinks that he gains by being able to proportion the slave's subsistence to his wants. In a state of freedom, average wages are always enough to support, with more or less comfort, but still to support, an average family. The unmarried slave receives merely his own maintenance. A freeman makes a bargain—he asks whatever his master can afford to pay; [and] the competition among employers forces [the latter] to submit to these terms. The highly paid workman often wastes his extra wages in idleness and debauchery; and when employment is abundant, that is, when his services are most wanted, he often tries to better himself by quitting his master. All this is disagreeable to masters who have been accustomed to the apparent economy of servile labor, and to its lethargic obedience.

The great motive of the framers of the earlier English poor laws was to remedy the latter class of inconveniences—those which affect, or appear to affect the master. The motive of the framers of the later acts again, beginning with George I, was to remedy the first class of evils—those which affect the free laborer and his family.

The first set of laws were barbarous and unskillful, and their failure is evident from their constant reënactment or amendment, with different provisions and severer penalties. The second set had a different fate—they ultimately succeeded, in many districts, in giving to the laborer and to his family the security of servitude. They succeeded in relieving him and those who, in a state of real freedom, would have been dependent on him, from many of the penalties imposed by nature on idleness, improvidence, and misconduct. And by doing this, they in a great measure effected, though certainly against the intentions of the legislature, the object which had been vainly attempted by the earlier laws. They confined the laborer to his parish; they dictated to him who should be his master; and they proportioned his wages, not to his services,

but to his wants. Before the Poor Law Amendment Act [of 1834], nothing but the power of arbitrary punishment was wanting in the pauperized parishes to a complete system of prædial slavery.

[I will] state very briefly the material parts of the numerous statutes, beginning by the statute of laborers, 23 Ed. III, (1349) and ending by the 39th Eliz. cap. 4, (1597) which were passed for the supposed benefit of masters.

The 23d Ed. III requires all servants to accept the wages which were usually given five or six years before, and to serve by the year, not by the day. It fixes a positive rate of wages in many employments; forbids persons to quit the places in which they had dwelt in the winter and search employment elsewhere in summer or to remove, in order to evade the act, from one county to another. A few years after, in 1360, the 34th Ed. III confirmed the previous statute, and added to the penalties, which it imposed on laborers or artificers absenting themselves from their services, that they should be branded on the forehead with the letter F. It imposed also a fine of £10 on the mayor and bailiffs of a town which did not deliver up a laborer or artificer who had left his service.

Twenty-eight years after, in 1388, was passed the 12th Rich. II, which has generally been considered as the origin of the English poor laws. By that act the acts of Ed. III are confirmed—laborers are prohibited, on pain of imprisonment, from quitting their residences in search of work, unless provided with testimonials stating the cause of their absence, and the time of their returning, to be issued by justices of the peace at their discretion. And, “because laborers will not, nor, for a long season, would not, serve without outrageous and excessive hire,” prices are fixed for their labor; and punishments awarded against the laborer who receives more, and the master who gives more. Persons who have been employed in husbandry until twelve years of age, are prohibited from becoming artisans. Able-bodied beggars are to be treated as laborers wandering without passports. Impotent beggars are to remain where they are at the time of the proclamation of the act; or, if those places are unwilling or unable to support them, they are, within forty days, to repair to the places where they were born, and there dwell during their lives.

I have said that this act has been treated as the origin of the English poor laws. It has been so considered in consequence of the last clause, which is the first enactment recognizing the existence of the impotent poor. But this enactment makes no provision for

them; though, by requiring them to be stationary in a given spot for the rest of their lives, it seems to assume that they would be supported there. It gives them, however, no claim, nor is there a clause in the whole act intended to benefit any persons except the employers of labor, and principally of agricultural labor—that is to say, the landowners who made the law. If the provisions of the act could have been enforced, the agricultural laborers—and they formed probably four-fifths of the population of England—though nominally free, would have been as effectually *ascripti glebæ* as any Polish serf. And, to make a nearer approximation to slavery, in the next year, (1389) the 13th Rich. II was passed; which directs the justices of every county to make proclamation every half year, at their discretion, according to the price of food, what wages every artificer and laborer shall receive by the day.

This act, with some intervals, during which the legislature attempted itself to fix the price of labor, remained substantially in force until the [19th] century. A further attempt to reduce husbandry laborers to a hereditary caste of serfs, was made by the 7th Hen. IV, cap. 17, (1405) which, after reciting that the provisions of the former acts were evaded by persons apprenticing their children to crafts in towns—so that there is such a scarcity of husbandry laborers that *gentlemen* are impoverished—forbids persons not having 20s. a year in land to do so, under penalty of a year's imprisonment. It appears, however, that the laborers did not readily submit to the villanage to which the law strove to reduce them; for from this time the English statute book is deformed by the enactments against able-bodied persons leaving their homes, or refusing to work at the wages offered to them, or loitering—that is to say, professing to be out of work—which, to use the words of Dr. Burn, “make this part of English history look like the history of the savages in America. Almost all severities have been inflicted, except scalping.”⁴¹

In the early part of Elizabeth's reign was passed a statute, 5th Eliz. cap. 3, (1562) inflicting the usual penalties, whipping, slavery, and death, on sturdy vagabonds—that is to say, on those who, having no property but their labor, presumed to act as if they had a right to dispose of it—and containing the usual provisions for confining the impotent poor to their parishes. In one respect, however, it was a great step in advance; for it contains for the first time a provision enabling the justices to tax, at their discretion, those who refused to contribute to the relief of the impotent and the keeping at work the able-bodied. Concurrently with this statute, and indeed

as a part of it, for it is the next chapter on the roll of parliament, was passed the 5th Eliz. cap. 4. This statute requires all persons brought up to certain specified trades—at that time the principal trades of the country—and not possessed of property, or employed in husbandry, or in a gentleman's service, to continue to serve in such trades; and orders that all other persons, between twelve years old and sixty, not being gentlemen, or students in a school or university, or entitled to property, and not engaged in maritime or mining operations, be compelled to serve in husbandry with any person that will require such person to serve, within the same county. Females, in corporate towns, between the ages of twelve and forty, and unmarried, are to be disposed of in service by the corporate authorities, at such wages, and in such sort and manner, as the authorities think meet. The hours of work are fixed by the statute; and the justices are, twice a year, after "conferring together respecting the plenty or scarcity of the time," to fix the wages. Persons directly or indirectly paying more, are to be punished by imprisonment and fine; persons receiving more, by imprisonment. No person is to depart from one parish to another, or from one hundred or county to serve in another hundred or county, without a license from the local authorities.

When we recollect that disobedience to these enactments exposed a man or a woman to be included in the proscribed class of vagabonds, punishable by whipping, branding, slavery, and death, it must be admitted that, whatever might be the practice, the *law* gave little freedom to the laboring classes.

The 43d of Eliz. directs, that the churchwardens and two or more householders, to be appointed by the justices, shall take order, with the consent of the justices, for setting to work children, and all persons having no means to maintain themselves, and using no ordinary or daily trade of life to get their living by; and to raise a fund by taxation of the inhabitants for such setting to work, and for the necessary relief of the lame, impotent, old, and blind poor not able to work. And the justices are directed to send to the House of Correction or common jail, "such as shall not employ themselves to work, being appointed thereunto as aforesaid."

It appears from this statement, that the 43d of Elizabeth deserves neither the praise nor the blame which have been lavished on it. So far from having been prompted by benevolence, it was a necessary link in one of the heaviest chains, in which a people calling itself free has been bound. It was part of a scheme prosecuted for centuries, in defiance of reason, justice, and humanity, to reduce the laboring

classes to serfs, to imprison them in their parishes, and to dictate to them their employments and their wages. Of course, persons confined to certain districts by penalties of whipping, mutilation, and death, must be supported; and, if they were capable of labor, it was obvious that they ought to be made to contribute to the expense of their maintenance. Thence arose the provisions for relieving the impotent, and setting to work the able-bodied. But these provisions do not, on the other hand, deserve the censure passed on them by the Committee of the House of Commons in 1817. They were not of a nature to induce the industrious to relax their efforts. They held out no temptations to idleness. The able-bodied, who were the objects of the 43d Elizabeth, were those "who, having no means to maintain themselves, used no ordinary and daily trade of life to get their living by;" such persons were, by the previous acts, criminals; the work to which they were to be put was forced work; and if they did not employ themselves in it, "being thereunto appointed as aforesaid," the justices were to commit them to jail. The industrious laborer was not within the spirit or the words of the act.

And it was long before the legislature assented to any extension of the 43d Elizabeth. The 8th and 9th Will. III, cap. 30, passed nearly a century afterwards, "to the intent that the money raised *only* for the relief of *such as are impotent as well as poor*, may not be misapplied," requires all persons receiving relief, and their families, to wear a badge, containing a large Roman P, and the first letter of the name of the parish from which they received relief; the object being not, as has been supposed, to degrade the pauper, but to afford an easy means of detecting the overseer who had relieved an able-bodied person.

The oppressive legislation of the Plantagenets and Tudors was unsuccessful. The provisions on which its efficacy depended, namely, the regulations of wages by the justices, the punishment of those who refused to work for such wages, or who paid more than such wages, and the punishment of those who left their parishes without license, became gradually obsolete. The fate of the law which authorized relief at the expense of the parish was very different. There is so much pain in witnessing distress, and so much pleasure in procuring its relief; there is so much sympathy with unmerited misfortune, and with the sufferings to which the wife and children are exposed through the misconduct of the husband and father; misery and destitution are so severe a punishment for idleness or im-

providence; the niggardliness of those whose refusal throws the whole burden of charity on the benevolent is so disgusting; and I must add, the assessment and distribution of a poor rate, give so many opportunities of undue profit, and so many means of gratifying the love of power and of popularity, that nothing but the strictest rules, vigilantly superintended and severely enforced, can restrain those whom the law enables to create and to manage a fund for charitable purposes—to decide how much shall be raised, and to whom and on what grounds and in what proportions it shall be awarded.

The rules laid down by the 43d of Elizabeth were strict; but the only sanction for their being observed, was the yearly inspection of the overseers' accounts by two justices—an inspection which, if it ever was real, soon became nominal. The 9th Geo. I, cap. 7 (1722), however, contained one clause, the importance of which cannot easily be exaggerated. This is the clause which authorized the overseers of any parish, with the consent of the inhabitants, to purchase or hire a house, and to keep and maintain therein any poor of the parish desiring relief; and enabled any two or more parishes to unite in purchasing or hiring a house, for the reception of the poor of the united parishes; and enacted, that no poor who refused to be lodged and kept in such houses, should be entitled to ask or receive parochial relief. It is true that the beneficial effects of this clause were only temporary; but it pointed out the mode, and, I firmly believe, the only mode, in which a public provision for the poor can be safely administered; and when the cause of its failure had been ascertained it afforded, more than one hundred and ten years afterwards, the foundation for the only English poor law which has been really successful.

In the meantime, a most dangerous opinion began to prevail. It was supposed that the legislature had the power of providing, by direct interference, a comfortable subsistence for the poor; and it was justly argued, that, if it had the power, it was liable to the duty. This opinion was assisted by an unfortunate double meaning of the word *poor*. In one sense of that word, it means merely the aggregate of the individuals who, from infirmity, or accident, or misconduct, have lost their station as independent members of society, and are really unable to earn their own subsistence. These persons form, in every well-ordered community, a small minority—a minority which it is in the power, and therefore within the duty of society, to relieve; but, if possible, to reduce, and certainly not to encourage. But this

is not the sense in which the word poor is generally employed. In its widest acceptance it is opposed to the word rich; and in its most common use, it includes all, except the higher and middle classes—in short, all who derive their subsistence solely from manual labor. In this sense Adam Smith states the definition of poverty to be, “living from hand to mouth.” In this sense all the laboring classes, that is to say, nine-tenths of the inhabitants of England, are poor. The error which this ambiguity created, or at least encouraged, may be stated syllogistically.

It is the duty of the legislature to provide for all the *poor* (*i. e.*, all the destitute).

All the laboring classes are *poor* (*i. e.*, are without property).

Therefore it is the duty of the legislature to provide for all the laboring classes.

In December, 1795, Mr. Whitbread introduced a bill authorizing the justices of the peace to fix a minimum of wages. Mr. Pitt opposed the bill, among other grounds, because it would give the man with a small family too much wages, or the man with a large family too little; and in its place proposed to make parochial relief, where there were children, a matter of right and an honor.⁴² In 1800, Mr. Whitbread renewed his bill for establishing a minimum of wages. He complained, that on searching the statute book, he could find nothing to compel the farmers to do their duty—that is to say, to raise wages with the price of provisions. Mr. Pitt again objected to the bill, because it proposed one standard for the price of labor, without considering whether the laborer were an unmarried man, or a man with a numerous family; and he repeated, that he thought the distress would be best met by parochial aid.⁴³ Such was the state of political knowledge at the beginning of the [19th] century, and such were the opinions of eminent men of both parties.

When the monstrous doctrine had been promulgated, that a tax assessed and distributed at the discretion of the justices, the vestries, and the overseers, was to form a regular element in the subsistence of the laboring classes—when more than 15,000 sets of overseers, 15,000 vestries, and 2,000 justices, acting generally independently, and often in opposition to one another, decided in each parish how much should be raised, and to whom, and in what shares, and on what grounds, and on what conditions it should be given—it is obvious that the forms of management and mismanagement must have been almost infinite.

The old fable, which describes the contest between the wind and

the sun to deprive the traveler of his cloak, was never better illustrated. For more than three hundred years, from the beginning of the 14th century to the middle of the 17th, the English Parliament endeavored to confine the laborer to his parish, and force him to work there at the wages which the justices should think fit. They accumulated enactment on enactment, and severity on severity; they threatened the employer with fine and imprisonment, and the laborer with torture, chains, mutilation, and death; and they failed. By reason, says the preamble to the 1st Ed. VI, cap. 3, "of the foolish pity and mercy of those who should have seen the said goodly laws executed, the said goodly statutes have had small effect." But the result which the legislature, using all its efforts for the purpose—disregarding, in the pursuit of its object, every principle of liberty or humanity—could not attain by violence, was produced, *against its intention*, by ill-directed benevolence. The poor might well say, we can deal with our enemies, only save us from our friends.

Regardless as the local authorities were of the restrictions imposed on them by the law, they bound themselves, at least in the agricultural parishes, by one rule. They never gave allowance from the rates of a parish to able-bodied laborers who were not settled in it. And, of course, they had no motive to give such relief to the able-bodied who belonged to their parish, but resided elsewhere. They were ready to pay wages out of the rates for their own benefit, but not for the benefit of others. In a pauperized district, where the laborer's income was composed partly of wages and partly of allowance, the married man had practically no more free will as to the parish in which he should reside, the master whom he should serve, or the subsistence that he and his family should receive, than the horse that he drove. In parochial language, he *belonged* to the parish in which he had his legal settlement. There only he could receive allowance; and, generally speaking, there only he could get employment. The law decided what should be his place of settlement; the magistrate what should be his whole income; the vestry how much of it should consist of wages, and how much of allowances; and the overseer who should be his master.

Of course, such a system, monstrous as it now seems to us, had much to recommend it. The magistrates enjoyed influence by which the soberest mind might have been intoxicated: they were the representatives of benevolence as well as of justice; the arbiters between all the laborers and all the employers of their divisions;

they were profuse without cost, and arbitrary without responsibility; they made and remade their laws without control, and enforced them without appeal. It was convenient to the farmer to reduce the unmarried to the minimum of subsistence⁴⁴—to have the services of an able-bodied man for eightpence, or sixpence, or even twopence a day; to turn off his laborers in frost or in rain, and take them back from the gravel pit or the roads, or the parish pound, or the overseer's yard, whenever he wanted their assistance; and throw the greater part of their maintenance on the shopkeeper or the rector, and the remainder, in the form of deductions from rent, on the landlord. The owner of cottage property found in the parish a liberal and a solvent tenant, and the petty shopkeeper and publican attended the vestry to vote allowance to his customers and debtors. The rental of a pauperized parish was like the revenue of the Sultan of Turkey—a prey of which every administrator hoped to get a share.* ³⁸¹

The evils which the unamended law tended to produce, were the most fatal with which internal causes have ever threatened a civilized nation. They amounted to no less than the ruin of all the proprietors, and the corruption of all the occupiers and cultivators of the soil. For nearly a century the mischief went on steadily increasing. Government after government tried vain expedients, or looked on in inactive despair. At length, the almost despotic power given to Lord Grey's Government, by the first Reformed Parliament, enabled it to apply a partial remedy. The Poor-law Amendment Bill was passed, and the plague, though not eradicated, was stayed. The remedy might have been effectual, if the recommendations of the Commissioners had been followed, and the outdoor relief of the able-bodied prohibited by the Act. But Lord Grey's Administration, though the strongest that we have ever seen—the strongest that we are ever likely to see—thought itself unable to resist the habits of a century. The general prohibition of outdoor relief, which formed a part of the earlier drafts of the Bill, was struck out; and a clause was substituted, enabling the Commissioners to prohibit or allow such relief at their discretion. Out of the 595 unions into which England is divided, they have issued a prohibitory order to 478. But the order is subject to so many exceptions, that out of 1,470,970 relieved [in 1845] only 215,325 were inmates of the workhouse.⁴⁵

In the meantime, the operation of the Act has been subject to every form of unremitting, unscrupulous impediment. It was un-

avoidably unpopular. It diminished the power of the magistrates; it interfered with the frauds of the vestries; it forced the farmer and the manufacturer to pay their own workmen; and it offended the prejudices of the ignorant. The restrictions which it imposes on the pauper are to this extent *penal*—namely, that their object is to make pauperism less eligible than independence. Its advantages are diffused over the whole body of landlords, ratepayers, and laborers. It has saved the property of the two former, and the morals and freedom of the latter. The loss which it has occasioned is concentrated upon the comparatively few whose influence it has abridged, whose peculations it has checked, and whose powers of oppression it has destroyed.

The majority, as is usual, enjoy its benefits in indolent silence. The minority are clamorous and active. The unhappy error of allowing the Commission to be temporary has been a new stimulus to opposition, at every successive period of renewal. The newspaper press, with a few exceptions, has been sedulously employed to confirm the prejudices and inflame the passions of the half-educated—to pander to coarse tastes and political ignorance, by inveighing against the separation of the sexes, the enforcement of labor, and the want of recreation; and by stories of infanticide, on the refusal of a pension to which the mother of a bastard was formerly entitled. Tory candidates in the counties, and Radicals in the towns, have proclaimed the tyranny of the Commissioners, the sufferings of the poor, and the wickedness of treating poverty as a crime; and have bid for votes, by promising to restore what they called the “Elizabethan Law.” It is true that few, perhaps none, were wild enough to intend seriously to perform this promise; but many have had the weakness to endeavor to seem willing to perform it. This has given to the Commons the appearance of hostility to the amended law. Those who have denounced it at the hustings have thought themselves forced to carp at it in the House. The Triumvirate has been a target in which every demagogue has endeavored to fix his arrow. The Assistant Commissioners have been reduced in number to nearly one-half; and yet the Commissioners have been held responsible for abuses, which they have not been allowed the means of detecting. They have been treated after the Egyptian fashion: the tale of bricks has been increased, and straw refused. They have been deprived of their organs, and then required to be omniscient.* 382

CHAPTER IV

NATIONAL EDUCATION AND POPULAR AMUSEMENT

1. The Purpose and Scope of Education. 2. The Grounds for State Interference in Education. 3. The Status of Industrial Education in England. 4. Recreation and Amusement: the Blue Laws.

1. The Purpose and Scope of Education. Another of the evils of poverty which a government can palliate is defective education. Here again it can only palliate. A really good education implies leisure. It implies that the acquisition of knowledge shall be the principal business of childhood and even of adolescence. But this is incompatible with the condition of the laboring classes, that is to say, with the condition of the bulk of a people. They cannot afford to lose all the wages which their children and young persons can earn—wages often equaling and in the aggregate exceeding those of the head of the family. And if they could afford it, persons who do not begin to practice until they are 16 or 17 years of age the trades by which they are to live are unfit for the toil of laborious occupations and for the acquisition of the dexterity which belongs to skilled ones.

Leisure, however, sufficient for the acquisition of much elementary knowledge they have. A child under thirteen can seldom, without injury to its health and growth be engaged in any manual labor for more than from 6 to 8 hours. After the times of sleep, of recreation, and of meals have been subtracted there may still remain two or three hours a day for education. And the state does not impoverish the parents by merely ordering these hours shall be so employed. The factory act, which limits the labor of children under 13 years of age to 6 hours a day and requires two hours to be spent in school, is so far a useful act. But it is obvious that a further, or rather a previous step is to secure the existence of good schools. And this is in the power of every civilized government.

No country is so poor as to be unable to bear the expense of good elementary schools.⁴⁶ Strictly speaking it is not an expense. The money so employed is much more than repaid by the superiority in

diligence, in skill, in economy, in health—in short in all the qualities which fit men to produce and to preserve wealth, of an educated over an uneducated community.*³⁸³ [But what do we understand by the term “education” ?]

In its widest sense, the word *education* comprehends all the external influences by which the disposition implanted by nature in any animal is subsequently modified. In its narrower sense, it is confined to the influences which one person intentionally exercises over another by precept or by example.

These influences are of two kinds: first, the imparting knowledge, which may be called *teaching*; secondly, the creation of habits, which may be called *training*.

Teaching again may be subdivided into two kinds.

First, the statement of facts which can be ascertained only by observation or by testimony. Such are the meaning and the proper pronounciation of words, such is geography, and indeed, such are all the sciences called by the general name of natural history. This kind of teaching Archbishop Whately has called *information*.

The second kind of teaching consists of statements, the truth of which is ascertained not by observation but by consciousness, or by inference from the pupils' previous knowledge. Such are all mathematical truths. The mathematician proves the equality of all the radii of a circle, not by measuring them, but by showing that it is involved in the definition of a circle.

The imparting this kind of knowledge Archbishop Whately has called *instruction*.

The same statement, addressed to two pupils, may be information to the one who takes it on the testimony of his master, without working out the grounds on which it is founded; and instruction to the other who follows the premises one by one.

The second branch of education, *training*, that is to say, the creation of habits, may be divided into two kinds, *bodily training* and *mental training*; and each of these may be subdivided into the training of the faculties and the training of the sensations.

A boy, for instance, may be accustomed to a peculiar use of his bodily faculties by gymnastics or by the acquiring any bodily art, which may be called the training of the *bodily faculties*; or to submit to or to resist his bodily sensations of cold, heat, fatigue, or hunger, and by that resistance or submission to weaken or strengthen those sensations, which may be called the training of the *bodily sensations*.

So he may be trained to the use of his mental faculties, such as at-

tention, memory, or imagination, which may be called *intellectual training*; or he may be trained to resist or to obey in the proper degree his mental sensations of fear, anger, vanity, and the other affections to which we give the name of passions, which may be called *moral training*.

A synoptic view of education may therefore be thus drawn up. Education is divided into teaching and training.

Teaching is divided into the giving information and the giving instruction.

Training is bodily training or mental training.

Bodily training is the training the bodily faculties, or the bodily sensations.

Mental training is the training the mental faculties, which is intellectual training, or training the mental sensations, which is moral training.

I have defined training as the creation of habits; but I have not yet defined the word "habit." It is indeed a word not easy of definition. Most persons in attempting to define it fall into tautology, calling it "an habitual mode of acting or feeling."

The difficulty is occasioned by a confusion of two words, "custom" and "habit," which are often used as synonymous, though really distinct. They denote, respectively, cause and effect.

The frequent repetition of any act is a custom. The state of mind or of body thereby produced is a habit. The custom forms the habit, and the habit keeps up the custom.

A custom is a continuous stream of similar acts; a habit is the channel which that stream has scooped out. It preserves the custom, as a river is confined by the banks which it has itself created.

The test of the ripening of a custom into a habit is when the customary act is performed spontaneously, or with pleasure, or when its omission has become painful. Aristotle defines the virtues as habits. And he, therefore, holds acts of virtue to be not duties to be performed but pleasures to be enjoyed. If such an act is felt as a sacrifice, the habit has not been acquired. The man who resists the temptation to steal has not the virtue of honesty; if he had he would not feel the temptation.

As between teaching and training, there can be no doubt that training is by far the more important. It is the more important even for the purposes of knowledge; knowledge may be forgotten, and requires some trouble to keep it up. Habits once thoroughly acquired cannot be discontinued without pain; they are therefore

permanent. And even the knowledge which has been forgotten, if it be worth recovering, will generally be recovered by a man of good intellectual habits.

Moral training is, obviously, still more important than intellectual training; and even bodily training, inferior as it is to intellectual and to moral training, conduces perhaps more to the well-being of a child than any amount of mere teaching.

Training, therefore, or the formation of habits, rather than teaching, or the imparting knowledge, is the great business of education.

An illustration of the failure of good teaching when unsupported by good training, is to be found in Mr. Tufnell's Report on the Workhouse Schools of the Eton and Windsor Unions:—

The most remarkable instance (says Mr. Tufnell⁴⁷) that I know, of the inefficiency of workhouse education, is the case of the Eton union, which deserves to be mentioned in detail. I do not think I ever visited a school which passed a more satisfactory examination, or more calculated to please the critical eye of an inspector. Their reading, writing, and arithmetic were nearly faultless. It seemed impossible to puzzle them by any fair question from the Bible, English history, geography, grammar. They could write from dictation or memory in copper-plate hand, and without a fault in grammar or spelling. They could sing with good effect a variety of songs and national airs in three parts. [Yet], on close examination, the school appeared in so unsatisfactory a condition, that it was determined to break it up, and send all the children to the Central London district school, where they now are; and I fully concurred in this decision of the guardians.

This lamentable result is no puzzle to me. A very slight consideration might induce any one to conclude that where, as must be the case in every workhouse school, the vilest characters often live under the same roof with the children, intercourse, and therefore contamination to the young must at times occur, in spite of all the efforts to prevent it. In fact, there are two points in which I believe the majority of workhouse schools fail; these points are—morals and industry. These were the weak points, not easily discoverable, in the Eton school. The training in industry and morality was defective; the training in knowledge was excellent.

It is a remarkable circumstance, that while I am writing this report, the Windsor union, which adjoins the Eton, should have suddenly presented an instance even still more lamentable than at Eton, of the combination of great intellectual excellence with great moral depravity. It had only been lately placed under my inspection, and consequently I had only examined it once, when it passed an examination in every subject, more especially scriptural knowledge, that few schools could

equal. It has been proved that the grossest possible immorality had been going on in it for years, on the discovery of which the master instantly committed suicide. A gentleman, perfectly well acquainted with it, and who had been in the habit of frequently visiting and examining it for several years, writes thus:—"I never remember to have been in a school which came nearer to my idea of perfection. The manners of the boys, their bright intelligence, their wonderfully accurate scriptural knowledge, surprised and delighted me; then comes the crushing blow, to bid me distrust the fairest outward show.* 384

Until civilization has reached an advanced stage, education consists principally in bodily training. In ancient Greece and Rome, the safety of a man depended mainly on his courage, strength, and skill. The safety of the state depended mainly on the military qualities of all of its citizens, since all had to fight. Bodily qualities therefore, and the mental qualities which are principally affected by the state of the body, were held in the highest esteem. Herodotus was less honored than a successful athlete in the games at which he read his immortal work. And I doubt whether in medieval Europe a statesman or a poet held as high a rank as the knight who bore away the prize at a tournament, or even the yeoman who drew the best bow.

But the use of gunpowder, and of small standing armies, rendered skill in arms unimportant; and from the beginning of the 18th century, a little dancing, and a very little fencing, were almost all the training that the bodies of boys received.

The Factory Acts seem first to have suggested the mixture of bodily and intellectual labor.

The large district pauper schools were, I believe, the first to employ drill, that is to say, collective bodily training. The effect of that training is a remarkable educational phenomenon.* 385

2. The Grounds for State Interference in Education. From the consideration of the nature of education, I proceed to that of the persons to whom it is to be given, and will consider them with respect to their means of paying for it. So considered, they may be divided into three groups:—

The first comprehends the children whose parents or friends can afford to pay the whole expense of education.

The second, those whose parents or friends can afford to pay a portion of that expense.

The third, those whose parents or friends cannot pay any part of it.

The first group comprehends the higher and middle classes of a community. The second comprehends the laboring classes. The third, the paupers.

The education of the first group is not necessarily incumbent on the state. As far as mere money is concerned they can take care of themselves without its interference, either by way of assistance or of supervision. But scarcely any civilized state allows them to do so.

Almost every such state contains a provision for the teachers of religion. In addition to the institutions for religious education, almost every civilized state contains universities, in which secular teaching is given to the higher and middle classes. The most recent institutions of that kind in these Islands are the Queen's Colleges in Ireland. The greater part of our endowed grammar schools are of the same kind.

The requiring from candidates for permission to exercise some profession or for the Civil Service a minimum of knowledge or of skill, is a further encouragement by the state of the education of the higher and the middle classes; and the selection of them by competition a still further one. And here the interference of the state in their education ends, with us; abroad, it goes much further. In many parts of Europe and of the Northern States of America, the parent is compelled by law to educate his child. And in far the greater part of the Continent, the state exercises over all teachers a strict supervision. No person is allowed to open a school without its permission—a permission always revocable. The course of teaching, and even the schoolbooks, are submitted to its inspection and supervision. Freedom of teaching is peculiarly British.

When I say that the interference of the state in the education of the higher and middle classes is not absolutely necessary, I do not mean to treat it as useless. I mean merely to distinguish the higher and middle classes from those who are unable to pay the whole, or any part of the expense, of a good education, and who must owe such an education wholly or partially to the care of the state, or the benevolence of individuals.* ³⁸⁶

[We] may look forward to the time when the laboring classes shall possess the means, the intelligence, and the conscientiousness which will enable and induce them to give to their children a good education. But that time has not yet come.* ³⁸⁷

[It is said, however, that] “the laborer with fair wages and the prosperous mechanic are just as well able to pay for the education

of their children as the tradesman, the clergyman, or the professional man." * 388 That the laboring classes, taken as a body, possess the means of educating their children, I admit, though I believe that the sacrifice which they must make for that purpose is grievously underrated.* 389

The average income of an ordinary agricultural laborer is about 10s. a week; that of an ordinary mechanic 15s. The prosperous laborer may get 15s.; the prosperous mechanic 25s.

The average income of an ordinary tradesman may be put at £3 a week; that of a prosperous one at £20.

It is difficult to estimate the incomes of persons of the higher classes. They generally delay marriage until, by accumulation or by inheritance, they have become possessed of some property, and their wives are seldom penniless.

I am inclined to think that the average income of a clergyman, lawyer, or physician, who has been married long enough to have a child seven years old, the earliest school age, may be put at about £10 a week, or £520 a year, of which half may arise from his own or his wife's property, and half from his profession. If a married man have less than this, he has been imprudent or unfortunate, and may be compared to the laborers with only 6s. or 7s. a week.

The education of a laborer's child costs at the lowest estimate, 6d. a week, or 26s. a year; at the usual estimate, 30s. a year.

A tradesman may educate his child, as far as mere tuition is concerned, at 2s. a week.

A clergyman, lawyer, or physician may get a good education for his child, as far as mere tuition is concerned, for £20 a year, or about 7s. 8d. a week. Thus calculated, the board of a gentleman's child from the age of 7 to that of 15 cannot well be put at less than 10s. a week, or £26 a year, or its lodging at less than £4. Fifty pounds a year is a fair price for an average boarding school; at which rate the board and lodging costing £30 a year, the tuition is £20, or about 7s. 8d. a week. Where a grammar school is within walking distance, the tuition may generally be had for less.

A tradesman, therefore, with six times the income of a laborer, pays only four times as much for the education of his child. A clergyman or professional man, with 20 times the income, pays about 15 times as much.

But this represents most inadequately the greater heaviness of the laborer's burden. To a tradesman, a clergyman, or a professional

man, children are a mere incumbrance; they earn no wages, they require attendance. Their absence at school is a relief.

In a laborer's family the children are the servants. The elder girls perform the service of the house; they nurse the younger ones, they enable the mother to earn something. The boys assist the father in his work, always if it is indoor, often in the field.

A still greater sacrifice is that of the child's wages.* ³⁹⁰ In many manufactures a child can earn money at six or seven years old. In farm work, he begins to earn at eight or nine. From the age of nine to eleven, the most important years of education, a child may earn from 1s. 6d. to 2s. a week in the country, and from 2s. 6d. to 5s. a week in towns.

If an agricultural laborer, with two children between nine and eleven, were to pay for their education 1s. per week, and lose 3s. a week more in their wages, it would take 4s. from a gross weekly income of 13s., or nearly one-third.⁴⁸ The burden, or, what is the same, the loss, in the case of the artisan, would be still greater,* ³⁹¹ as in towns the earnings of children bear a much larger proportion to those of their parents; if there are two or three children at work, their earnings often exceed those of their father.* ³⁹²

I admit, indeed I feel strongly, that it is the duty of every man to provide education for his children, but it is also his duty to provide for them all other necessities.

Decency and morality require that a family cottage shall have not less than three sleeping rooms. Health requires it to be well drained and warmed. All the family ought to be sufficiently fed and clothed. These expenses are of constant necessity; they cannot be omitted for a day. They are definite. They produce their result instantaneously and certainly. Any insufficiency instantly shows itself by disease.

Education is indefinite; it may begin at any age after three. It may end at any age before twenty-one. It may be merely nominal, as it appears to be in many of the private schools, of the endowed schools, and of the factory schools; or it may be as good as it is in the best public schools. It may be continuous or intermitted; its pecuniary results are distant and uncertain. The child does not ask for it; in most cases it had rather be without it. Under such circumstances it is obvious that, however wise, well disposed, provident, and self-sacrificing the father may be, however he may feel that the welfare here and hereafter of his child depends on its education, the supply of that education will not be allowed to

interfere with the supply of food, clothing, fuel, or lodging. It is the expense that will be most frequently stinted, most frequently intermitted, and most frequently withdrawn.

All that can be extracted from the laborers of the West Riding, the best paid and the most regularly paid in England, is less than 3*d.* a week. When the payment was raised to 4*d.*, the number of children diminished. We may look forward, as I said before, to the time when the laboring population may be safely intrusted with the education of their children; but no Protestant country believes that this time has come, and I see no reason to hope for it until generation after generation has been better and better educated.* ³⁹³

[But we may be told that education will not always command higher wages, whereas the material well-being of the people is dependent upon their wages.]

Were the laborers virtuous and wise this would be so; but to an uneducated laborer, high wages are intemperance. To his family, they are often want and misery. There is much evidence, then, in the uneducated districts, such as the collieries, the men are never so sober, or the families so well off, as when wages are low. This is well shown in the following extracts from Mr. Tremenhare's report of 1846.

Immediately after the outbreak of 1839, I was commissioned by the then existing Government to make an inquiry throughout the district into the state of elementary education, which branched out into an inquiry into the general condition and habits of the people, the state of their dwellings, the means of moral and religious superintendence, the rate of their earnings, and various other particulars. The report founded on that inquiry is contained in the first volume of the Minutes of the Committee of Privy Council on Education. It related to a population of 85,000 persons, and exhibited a people immersed in habits of sensuality and improvidence, earning very high wages, wasting nearly one week out of five in idleness and drunkenness; working their children in the mines and elsewhere at the earliest possible age; a very small proportion of the adults of either sex able either to read or write, and neglecting the means of education for their children, except what was scantily and imperfectly given at Sunday-schools.

It is desirable to direct especial attention to the fact of the great and general increase of intemperance since the return of high wages and prosperity in the autumn of 1844; the fact is notorious, throughout the entire district, comprising a population of at least 140,000 souls. At all the works it was stated to me that, although the wages of colliers now ranged from £1 1*s.* to 25*s.* per week, and the earnings of the men em-

ployed about the furnaces and rolling mills from £2 to £4 per week, with a corresponding high rate in every other species of employment, the great majority of the workpeople, men, women, and boys, spent the whole of their earnings within the week, principally in eating and drinking, and were often in debt besides. On Sunday nights, as at other convenient times, the public-houses are generally full. Among the statements made to me on this subject were the following:—The Rev. T. Davies, incumbent of Pontypool, informed me that he estimated that on Sunday evenings there were now from 1,200 to 1,500 people in the public-houses and beer-shops of his parish, containing a population of 7,000. As beer-houses, etc., abound among all the adjoining masses of population, it would appear that not far short of the entire adult working population frequent those places on Sunday evenings. A highly respectable dissenting minister in another part of the district thus expressed himself to me on this subject:—"The people began to drink away all their earnings as soon as the good times returned. I have labored among them many years, and I am sorry to say I see no improvement in their habits in this respect, and but little, if any, in their general morals. Teetotalism has declined; for every twenty whom I induced to join it a few years ago, I have not now five who have remained. My chapel is attended by at least 400 people every Sunday evening, and it is shocking to think, after so many years of my ministry, that immediately after the service is over they all flock to the beer-shops and public-houses." The general state of things seems to be summed up in the expression frequently used in answer to my inquiries on this point, "the more wages they get the more they spend in drink;" and, unhappily, it is also added, "the less they spend on the education of their children;" for, notwithstanding their own ample earnings, the moment there is the least demand for their children's labor they take them from school at the earliest age at which they can earn anything, whereas when employment is slack they are content that they should be left at school, provided it costs them little.* ³⁹⁴

If these evils were to affect only the parents, they might be left to bear the punishment of their own selfishness and sensuality. I detest paternal despotisms which try to supply their subjects with the self-regarding virtues, to make men by law sober, or frugal, or orthodox. I hold that the main, almost the sole, duty of government is to give protection—protection to all, to children as well as to adults, to those who cannot protect themselves as well as those who can.

Now, the greatest sufferers from the negligence or selfishness which occasion the noneducation or the miseducation of the children, are the children themselves. Their habits and their

faculties, their utility and their happiness, are ruined by an ill-treatment which they cannot prevent and scarcely know.

As far as the bodies of children are concerned, every one admits that they are entitled to be protected from the misconduct or even the neglect of their parents. It is admitted that a parent ought to be compelled by law to provide his children, to the utmost of his ability, with necessaries, that he ought to be punished if he ill-treats their bodies, and that he is not to send them to work before a specified age at certain trades.

But when we come to the mischief which he may do to their minds by acts of commission or omission, this unanimity of opinion as to the right or as to the power of the law to interfere against the parent for the children's protection ceases. Practically, he is allowed, with impunity, to train them in vice and in crime. Practically, he is allowed, not merely to neglect their education, but even though a pauper, even though fed himself by the public, though by that supposition unable to educate them himself, to refuse to allow his children to be educated at the expense of others.⁴⁹ Nay, what would be incredible if it were not proved by abundant evidence, there are places in which parents are absolutely prohibited, on pain of starvation, from educating their children.

It is a common practice here (says Mr. Snell, of East Coker, Yeovil) and I expect elsewhere, when a poor person applies for parochial aid, to insist on the children being taken from the school and sent into the fields.

I have known instances (says Mr. Wollaston, Vicar of Felpham) where parochial relief has been refused to families *because* they have kept boys at school.⁵⁰

The doubts, however, as to the practicability of compelling the parent to perform this obligation do not extend to its existence. No man, at least no educated man, denies that the parent who knowingly corrupts or starves the mind of his child is guilty of a sin as heinous as that of the parent who illtreats or corrupts its body. Indeed, as measured by its mischief, of a more heinous one, since it would be far better for society and far better for the child that it should die in infancy than that it should grow up to be a criminal, or even to be a pauper.

What in some cases diminishes our indignation against this crime is the difficulty of proving that it was committed knowingly. The effects of the illtreatment of the body are palpable. Every one knows that if a child is deprived of food or of clothing, it will

die. But it is only the educated who are aware that education is necessary. Those who are absolutely uneducated, such as the lowest savage races, and the most degraded portions of the English population, do not feel in themselves the want of moral or intellectual training nor perceive that it is wanted by their children. We justly hang a man who starves his child to death, because he knew what he was doing. We do not punish him for having given to it every day a teaspoonful of gin, because we cannot be sure that he was aware that he was killing it. Still less reason have we for believing that a man of the class to which I allude knows the evil that his neglect, or his bad example, or even his evil counsels or his commands, will produce on his child's mind. Ignorance, vice, and crime he scarcely considers as evils. He was bred in them, and he breeds his child in them, without compunction—almost without consciousness.

But these doubts, though they may lead us to refuse to compel the parent to educate his child, do not exempt us from the duty of seeing that the child is educated. It cannot be too often repeated that the child is as much entitled to protection as any other member of society. His mind ⁵¹ is as much entitled to protection as his body. One is no more to be starved or depraved than the other.* ³⁹⁵ The state, standing *loco parentis* to a pauper child, has assumed all the responsibilities from which absolute inability discharges the parent.

I was grieved, and I may add, astonished, when I was examined by the Committee of the House of Commons on the Poor Law Relief of England in June, 1862, to find this proposition, obvious as it seems to me, impliedly denied.⁵² Such, at least, appeared to me to be the meaning of many of the questions put to me.* ³⁹⁶

[The last point to be considered is whether the education of children could not be better managed by their own parents than by the State.] One of the most earnest supporters of the introduction of the parents into the management of schools is Dr. Temple. [His] motives are first, that the parents would take an interest in the school; and secondly, "that if the laboring classes are ever to learn any kind of self-government, the management of their children's education is the most within their reach; and that though the parents would make many mistakes, they would not long persist in mistakes whose consequences became speedily visible."⁵³

I admit the first of these propositions. I admit that if the parents shared in the management of the public schools, they would take a greater interest in them; and I admit that in some cases, and under

some circumstances, people, by governing themselves ill, may learn in time to govern themselves well.

But I believe that in order to profit by experience men must start with much more education than is possessed by the lower classes of the English. For fifty years they have been managing their own benefit societies. Almost all of them are founded on principles leading to inevitable insolvency. For fifty years they have been managing their own trades' unions.⁵⁴ There is not one which is not based on folly, tyranny, and injustice which would disgrace the rudest savages. They sacrifice their wives', their children's, and their own health and strength to the lowest sensuality. The higher the wages the worse seems, in general, to be the condition of the families.

Persons who so grossly, so pertinaciously, and so incorrigibly mismanage their own affairs, are the last to whom I would intrust the management of those of others.

Nor do I believe, with Dr. Temple, that the management of the education of children is a task for which the laboring classes are peculiarly fit.

A laborer once complained to me that his children turned out ill, "and yet," he said, "there is not a better father than I in the parish. I beats them whenever I gets sight of them; I beats them as I would not beat a dog." * 397

3. The Status of Industrial Education in England. Where the poor are left to provide themselves for the education of their children, the provision which in England they usually are able and willing to make does not deserve to be called imperfect, for imperfection implies that something has been done; it is null. The most valuable documents which we possess on the state of education in England are the reports made by the Manchester Statistical Society. I will select as a specimen the report on the state of education in Liverpool. It was the result of an elaborate inquiry which began in October, 1835, and ended in June, 1836, having occupied 31 weeks.

The report states that out of 62,700 children of an age to be instructed only 20,700 receive any real education whatever, and they either belong to the richer classes, or attend schools supported by the Corporation or by charity; and that of the remaining 42,000, nearly three-fourths, or 30,000 receive no education real or nominal, and the rest being 12,000 are nominally educated in the Dame or common Day Schools. These are the schools which the poor provide and support for the use of their own children. The only difference

between them is, that the schools kept by women are generally called Dame Schools, those by men, day schools. I proceed to extract the description of each, contained in the report.

With few exceptions, the Dame Schools are dark and confined, damp and dirty, more than half of them are used as dwelling, dormitory, and school room. On pointing out this to one mistress of a dame school she answered, "They thrive best in dirt." Of the common day schools it is difficult to convey an adequate idea, so close and offensive is the atmosphere. The dimensions rarely exceed those of the dame schools while frequently the number of scholars is more than double. We found one in a garret up three pair of dark broken stairs with forty children in the compass of 10 feet by 9. On a perch forming a triangle with the corner of the room sat a cock and 2 hens. Under a stump bed, immediately beneath was a dog kennel in the occupation of three terriers. There was only one small window at which sat the master obstructing three-fourths of the light. He represented himself "as a graduate of the University of Munster—the first place for larning in all Ireland."

In the dame schools the children are generally divided into the "do-nothings," who are not supposed to learn anything, and often form the largest portion and sometimes the entirety; those who learn their letters, and the third and highest class who are taught to put them together. In the day schools they rise up to writing and arithmetic. The average weekly payment in the dame schools is $3\frac{1}{2}$ per head per week, in the day schools $9\frac{1}{2}$: divided among the scholars in proportion to the things professed to be taught. This gives less than six shillings a week to the mistress of a dame school and perhaps 14 or 15 shillings to the master of a day school—sums below the average pay of common day labor in Liverpool. They have scarcely any books, often only such as the scholars may chance to bring with them, sometimes parts of old magazines, novels or pamphlets.

Some teachers object to give any religious education whatever, in others the scholars are said to be taught according to their respective creeds. In one school the master professed to teach the Roman Catholic, Church of England and Swedenborgian doctrines. A mistress of one of the dame schools who taught both the Protestant and Roman Catholic catechism said she took care to keep both going together, and then no harm could come of it. Another however was less tolerant. "I hate the Dissenters," she said, "worse than the Catholics. I once set on foot a subscription for a Dissenter and he had the impudence to say that I kept back part. So that," raising her voice with strong emphasis, "I determined never to do a good action again, and I never will." She had previously insisted on the care she took of the morals of her pupils. Generally however morality is not even professed to be taught. One master answered, "That question does not belong to my school. It

belongs to girls." Another said, "Who could teach morals to the like of these?" In one where the mistress taught morals a girl was asked if she knew her duty to her parents. She said, "No." The mistress interfered thus: "No! Why can't you say no *Sir*. I am sure," she added, "I take care of their morals as much as I can, but you see, *Sir*, they are such uncultivated beings it takes time to learn them how to say *Sir* to a gentleman."

As to mere learning the pretensions of the masters are generally high. One of them observed "I wish government would pass a law that nobody but them as is high larnt should keep school—then *we* might stand a chance to do some good." Another was asked what he taught, and answered every question affirmatively: Writing? yes. Arithmetic? yes. Grammar and composition? yes. French? yes. Latin? yes. Greek? yes.—till every art and science was exhausted. "Why this," said the visitor, "*is multum in parvo*." To which the master immediately replied, "Yes—I teach that, you may put that down too." One master who stated that he used the globes was asked if he had both—he answered rather tartly, "Of course I have; how could I teach geography with only one? That would be only half the world." Much difficulty was found in obtaining the numbers of scholars, in consequence of a general belief that it is unlucky to count them. One mistress of a dame school had conscientious scruples and was deaf to argument, saying that it would be a flat flying in the face of Providence. "No, no," said she, "you shan't catch me counting. See what a pretty mess David made of it when he counted the children of Israel."

This is the sort of education provided for their children by the laboring classes of one of the richest and most flourishing towns in the world, and in the country, and in the age of the highest civilization that has ever been known.

It was only a very few years ago, in fact during Lord Grey's administration, that the English Government began seriously to assist in providing for the education of the bulk of its subjects. In 1831 the Irish Education Board was created and £50,000 a year devoted to the education of 8,000,000 of people. In 1833 Parliament first voted £20,000 for the education of the 16,000,000 inhabitants of England. These grants have been continued and each of them augmented. The Irish grant for the present year [1847] is £70,000, the English grant is £200,000.

Each of these sums is obviously and grossly inadequate. In Ireland, however, the only obstacle to the utility of the grant has been its inadequacy. The Irish people are all anxious to obtain education themselves and to see it diffused, and the poverty of the

great mass of the people makes them incapable or think themselves incapable of procuring it for themselves. They accepted therefore the Government grant on the terms on which it was offered, that of a combined literary and separate religious education. The literary education being given to children of all sects, in common; the religious education being given separately to the children of each persuasion by the teachers whom their parents approve. A system in which not merely the religious but the whole education had been given separately to the children of each sect, would have been much more popular. Neither Roman Catholics nor Protestants, neither Episcopalians nor Presbyterians like their children to be educated with those whom they think heretics; but they prefer this to their remaining uneducated and fill the schools which so small a grant has assisted to raise.

In England there is unhappily among the working classes much less desire for education, and those immediately above them are often opposed to their receiving it. They think that it takes laboring children off their work—that it makes them saucy and independent. The friends of education in England are generally men under strong religious impressions, but with strong religious prejudices. They have the dislike of combined education which is felt in Ireland—perhaps a still greater dislike, for the mutual hatred of sects⁵⁵ seems to be in inverse proportion to their differences of opinion. The Wesleyans, differing in nothing from the doctrines of the Church of England, look to her influence with more jealousy than the Roman Catholics. The people of England, therefore, being less anxious than the people of Ireland for education and from their greater wealth better able to provide it for themselves refused to accept the Government grant if it were applied as it is in Ireland. All the inconveniences of separate education have followed. Persons of different sects, not being allowed to associate during infancy and childhood grow up in mutual hostility. And the schools themselves are less efficient from the frequent necessity of having in the same district three or four small schools, with inferior arrangements and inferior masters instead of one good one.* ³⁹⁸

Recognition by the legislature that children have rights, and that among those rights is education, began in [the 19th] century, and was confined to children, employed in factories. It was timidly introduced, and timidly followed up. Sir Robert Peel's Act, the 42d George III, c. 73, was so vague as to be inoperative. It merely required every apprentice in a factory to be instructed, "in some

part of the working-day, in reading, writing, and arithmetic, or either of them, by some discreet and proper person, to be provided and paid by the master or mistress of such apprentice." The 3d and 4th William IV, c. 103, as passed by the House of Commons, after requiring children to pass in school three hours every day, or five hours every other day, required the Inspector of Factories to establish, or procure the establishment of schools wherever he should think it desirable, and to pay their expense out of the wages of the children, or out of the poor rates of the parish in which the factory should be situated. And it subjected the masters of such schools to the inspection and control of the Inspector. The House of Lords struck out the words by which the bill, as passed by the Commons, provided for the expense of establishing and maintaining factory schools and for the control of the masters. Mr. Horner, one of the earliest of the Factory Inspectors, in his last report, that of 1857, thus comments on the educational clauses of the Factory Act:—

It is very true that a large proportion of the children employed in factories have received no instruction of any value. But for this the Legislature is alone to blame, by having passed a delusive law, which, while it would seem to provide that the children employed in factories shall be *educated*, contains no enactment by which that professed end can be secured. It provides nothing more than that the children shall, on certain days of the week, and for a certain number of hours in each day, be inclosed within the four walls of a place called a School; and that the employer of the child shall receive weekly a certificate to that effect signed by a person designated by the subscriber as a schoolmaster or schoolmistress. Power is given to the inspectors to see that the other parts of the Acts are substantially carried into effect; but, as regards this most important part, their right of interference has been strictly limited. They cannot require the removal of the children from a place which they see to be a mere mockery of education to a good school available on the spot, or within an easy distance. If the children are crammed into a cellar, and it is called a school, they must accept the certificates of the professed teacher therein. When such certificates are valid, it is not to be wondered at if ignorant parents, unable to appreciate the value of education, send their children where they can obtain the legal qualifications for employment at the least expense. Then, as to the employer of the child, in nine cases out of ten, he looks no farther than to the possession of the legal certificate, and gives himself no concern about the nature of the education.

But it is not only in the miserable places above referred to that the children obtain certificates of school attendance without having received

instruction of any value, for in many schools where there is a competent teacher, his efforts are of little avail from the distracting crowd of children of all ages, from infants of three years old and upwards; his liveliness, miserable at the best, depending on the pence received from the greatest number of children whom it is possible to cram into the space. To this is to be added scanty school furniture, deficiency of books and other materials for teaching, and the depressing effect upon the poor children themselves of a close, noisome atmosphere. I have been in many such schools, where I have seen rows of children doing absolutely nothing; and this is certified as school attendance, and, in statistical returns, such children are set down as being educated.

In 1840 a commission was appointed to examine into the condition of the children of the poorer classes employed "in mines and collieries, and in the various branches of trade and manufacture in which numbers of children work together, not being included in the provisions of the Acts for regulating the employment of children in mills and factories."

In 1843 the Commissioners made their report, exhibiting the most frightful picture of avarice, selfishness, and cruelty, on the part of masters and of parents, and of juvenile and infantine misery, degradation, and destruction ever presented. In that report the Commissioners state:—

That instances occur in which children begin to work as early as three and four years of age; not unfrequently at five, and between five and six; while, in general, regular employment commences between seven and eight.

That the persons that employ mere infants and the very youngest children, are the parents themselves, who put their children to work at some processes of manufacture under their own eye, in their own houses; but children begin to work together in numbers, in larger or smaller manufactories, at all ages, from five years old and upwards.

That in almost every instance the children work as long as the adults; being sometimes kept at work sixteen and even eighteen hours, without any intermission.

That, from the early ages at which the great majority commence work, from their long hours of work, and from the insufficiency of their food and clothing, their bodily health is seriously and generally injured; they are for the most part stunted in growth, their aspect being pale, delicate, and sickly, and they present altogether the appearance of a race which has suffered general physical deterioration.

That there are few classes of these children and young persons of whom a large portion are not in a lamentably low moral condition.

That this low moral condition is evinced by a general ignorance of moral duties and sanctions, and by an absence of moral and religious restraint.

That this absence of restraint is the result of a general want of moral and religious training, their low moral condition often having its origin in the degradation of the parents, who, themselves brought up without virtuous habits, can set no good example to their children, or have any beneficial control over their conduct.

That the general want of the qualifications of a housewife in the women is the one great and universally prevailing cause of distress and crime among the working classes.

That the greater number are in a total ignorance of all subjects, secular and religious.

Many of these poor children (add the Commissioners) are so oppressed by the circumstances in which they are placed, that they are even sunk below the consciousness of the misery of their condition.

The uncomplaining nature of the evidence is in itself an evidence of the poverty of their spirit and moral nature. Many of these poor children, deposing that they worked from twelve to fourteen hours a day for 1s. 6d. or 2s. 6d. a week, not a penny of which they had for their own use, and often without any regular hours for their meals, who were clothed in rags; who acknowledged that they often felt sick, or otherwise ill, and that they had not enough to eat; who were sometimes "beaten badly," but who "only felt it for a day or two,"—have still replied that they "liked their work," were "well treated," "were only punished when they deserved it," etc. They evidently knew of nothing else but to wake and go to work from day to day, and to continue working until permitted to leave off. Such a question as, "Do you feel tired?" had never before been asked them, and they did not understand it, or only comprehended its purport in some vague sense. It will be requisite, therefore, to distinguish between those whose evidence shows nothing to complain of and those whose evidence shows much wretchedness, but who uttered no complaint.

If we turn from the general remarks of the Commissioners to the evidence collected by the Assistant Commissioners, the picture, from its detail, becomes still more hideous.

Mr. Grainger, the Assistant Commissioner, who inquired into the lace trade, tells us, that almost all the children in Nottingham are employed in lace making or hosiery as soon as they can use a needle.

He describes a family in which there were four children, aged eight, six, four, and two. Of these, the three elder were employed in "threading." This is the mother's own statement:—"Harriet

was not quite three when she began to work, Ann was about the same age, Mary was not quite two when she began; the children have no time to play. They go out very seldom; have about a quarter of an hour for each meal." "Unless," says Mr. Grainger, "I had obtained a personal knowledge of the fact, I should have hesitated to have reported, that in this country a child was placed at work by its parent before it was two years old."

It is important (he adds) to mention one fact, as it shows that parents frequently cannot be intrusted with the well-being of their offspring. It is that the early age at which children are sent out to work is not the result of distress or want of employment of the parents. In all the towns, the masters and mistresses of the day-schools asserted, that if trade were good, in less than a fortnight half the children would leave. The children of Mrs. Houghton were put to work at two and three years old, although her husband has generally regular work, and his wages are twenty-three shillings a week.

This is the examination of Mrs. Turner, of Nottingham:—

She employs about forty hands. The common age at which children begin is seven years old. They are generally very delicate in health; often sick and ill. They are not allowed to talk. They are partly asleep for hours before they leave off. Does not think it would be possible to get the children to work twelve or fourteen hours a day without the cane. They have no time to go to school. They go from bed to work, and from work to bed. Should think they would be stupefied on Sunday, and not get much from instruction.* 399

We look with shame and indignation at the pictures of American slavery; but I firmly believe that the children on the worst managed plantations are less overworked, less tortured, better fed, and quite as well instructed as the unhappy infants, whose early and long-continued labor occasions the fabulous cheapness of our hardware and our lace, and whose wages feed the intemperance of their parents.* 400

Twenty years have elapsed since this Report was presented.⁵⁶ It may be supposed that it describes the horrors of a past age. But there is, unhappily, evidence that those horrors continue as intense as they ever were. A pamphlet on the Lace Trade and Factory Act, published by Hardwicke, Piccadilly, about two years ago, [1861] states that "the abuses complained of in 1842 are in full bloom at the present day." (P. 5.)

That "the system of labor in the lace trade found by Mr. Grainger

in 1842 is practiced with increased vigor and extortion at the present day." (Pp. 8, 9.)

After quoting some of the evidence which I have quoted, the author adds:—

We are quite aware that all this evidence refers to a period nearly twenty years ago, and that, by bringing it forward on this occasion, we subject ourselves to the charges of exaggeration and misrepresentation of existing facts. No doubt we shall be told that the conditions of labor at the present day are vastly different from what they were in 1841.

But we reply, that the evil of which we complain has "grown with the growth, and strengthened with the strength," of the lace trade. In 1841 there were scarcely one thousand steam machines, now there are upwards of five thousand: and the better the trade, and the higher the rate of wages, the more severe are the hardships imposed upon the employed. Infant and feminine labor is just as extensively used in the present day as in 1841; and ventilation in the work-rooms is, generally speaking, just as imperfect. "The lace trade of 1860, not the lace trade of 1841!" Is it not a fact, that the system of periodical and excessive labor prevalent in 1841, is precisely the same system practiced in 1860? The only distinction between the two periods is, that now we have large steam factories instead of small workshops.

But the majority of these factories are mere warrens of separate workshops. The hands employed are, in all respects of age and sex, identical with those employed in 1841. We find in the lace factories of the present day the same stint and irregularity in the hours for rest and for meals, the same unrestrained and exhaustive night-work, the same crowding, the same absence of instruction, in a word, the same depravity, misery, and sin.

A privately printed letter to the Right Honorable Sir George Lewis, from Mr. Norris, Inspector of Schools, contains in its appendix the following letter, of about the same date:—

I will give you two cases as a sample of the "infantine age," and the amount of labor they exact from infants. Some time ago Mr. Allbut, the late Chief Bailiff of Hanley, told me that he had occasion to go to his work before four in the morning, and in the street met a little girl crying bitterly, because, as she told him, she was late, and so shut out of the "pot-bank." He said, "It is not nearly time (*i. e.*, six o'clock) yet; but she answered, "I ought to have been there by three, but I slept too long. I was not home till ten last night." From three in the morning till ten at night, and the child was (I think) not eight years old.

To-day I called on the wife of one of our colliers, and said, "I remember that you have a little child at a pottery; how old is he?" "Seven next 21st of May," she said. "And when did he go to work?" "The middle

of last August." "That was very young." "Yes," she said, "it is too young, and he is a sickly lad, the weakest of them all; and he is there from seven in the morning till nine at night; it is too long. I have often said to his father that I would take him away and put him to school."

The poor child is earning 1s. 6d. a week, and when he went to his slavery, his father and brother ought to have been earning at the pit at least 35s. a week.

I need not heap up cases, you might get a hundred such by a day's labor. I am thinking of four more now, one a child who has just left our infants' school.

Signed,

ARTHUR T. BONNER.

It is a strange proof of the general neglect of the morals and health of the children of the working classes, that this Report lay unnoticed for twenty years, during which, the children, thus "bred up without the remotest sign of comprehension as to what is meant by the term morals, who had neither knowledge, nor religion, nor natural affection," were allowed to become the parents of the present generation.

At length, at the end of the Session of 1861, Lord Lyttelton and Lord Shaftesbury called the attention of the House of Lords to the Report, and, in compliance with an address from that House, a commission was issued, directing an inquiry into the employment of children and young persons in trades and manufactures not already regulated by law.

The commissioners made their first report on the 15th of June, 1863.

It embraces only the following manufactures: pottery, fustian cutting, lace, hosiery, paper staining, finishing and hooking, percussion cap making, lucifer match making.

Pottery. The most material document in the Report on Pottery is the memorial of twenty-five of the most eminent manufacturers, among whom are the great names of Minton and Co., and Wedgwood and Sons. In this memorial they state:—

That children are employed in the potteries at a very early age, and in a way to interfere seriously with their education.

That a vast amount of ignorance is caused thereby, as is evinced by the fact that out of 860 working children 186, or 27.6 per cent, professed themselves unable to read. That the employment of children at so tender an age stunts their growth, and causes a tendency to consumption and distortion.

That some legal enactment is wanting to prevent children from being employed at so early an age, and to secure them—at any rate—a minimum of education.

The memorialists merely state generally that the children are worked at a very early age.

Mr. Longe, the Assistant Commissioner, who inquired into that subject, states that “There seems to have been no improvement as to the age at which children are employed since 1841, and that many are employed at the ages of six and seven, the hours of work being twelve.” (P. 2.) And he quotes Dr. Davies, of Skelling, Staffordshire, who says, “I fear that the evils to which children are subjected in the manufactories are not materially diminished during the last twenty years.” (P. 23.)

Fustian Cutting. The following are the grounds on which the Commissioners recommend the application of the Factory Act to the fustian cutters:

The tender age at which the children begin to work, the excessive hours of labor, often extending throughout the night, the great physical deterioration, especially the deplorable and permanent bodily distortion induced by overwork, and the almost total ignorance resulting from the impossibility of any continuous and effective education.

The fustian cutting child (says Mr. Lord, the Assistant Commissioner) has little opportunity for school of any kind. Day school is never attainable. Even on Monday and Tuesday, though in effect they play, as their elders do, they have to hang about the shop in an attitude of laborious idleness during most of the daytime. They might indeed go to school during the evenings of those days. But their parents, even if they cared to send them, which few of them do, have little authority over them; and a child under thirteen years, in that class of life would scarcely go to school, unless sent, at any time: while on the remaining days they would be incapable of receiving any useful instruction after their day's work. The combined influence of ignorance, irregularity, overwork, and bad example, exaggerated by the dangerous precocity of premature independence, are to be traced in the habits of adults. Bold ignorant girls, slatternly helpless women, boys idle and reckless, men improvident and disreputable—that is the substance of the account which the fustian cutters give of themselves.

You will find (says Mr. Weanock, the largest employer in the trade) scarcely any of mine who can read. Many of the parents can not tell a letter. As soon as they find that their children can cut, they put them to it. There is not much leniency among the parents. You may depend, all they look to is the money.

Lace Making. I now come to the lace manufacture, one of those in which at the time of the first inquiry, the abuses of children were the greatest. Many of the worst of those abuses, such as the early working of infants, the confined space in which they work, and the absence of education, continue, as will be seen from the following extract from the Report of Mr. White, the Assistant Commissioner, on pillow-lace making.

The work requiring great manual dexterity and experience, but very little muscular strength or size, children are put to learn it at a very early age, six being thought the best by some teachers, though many begin at five and even younger.

For this purpose they usually go to work at a school kept by a woman in her cottage. These rooms are generally the living rooms of small cottages, with the fireplace stopped up to prevent draught, sometimes even in winter, the animal heat of the inmates being thought sufficient; in other cases they are small pantry-like rooms without any fireplace; and in none of these rooms is there any ventilation beyond the door and window, the latter not always made to open, or if it will open not opened.

The crowding in these rooms and the foulness of air produced by it are sometimes extreme. I have noticed in one place as small an amount of space as under 25 cubic feet for each person.

In general the children pay a small weekly sum to their mistress, and are entitled to the lace which they make, though it is sometimes disposed of for them by the mistress. They are deprived of the opportunities of education.

The detailed evidence tells of hours of work which seem fabulous.

For one year (says Mrs. Reddish of Nottingham) she, with two or three of her elder girls, sat up regularly the three first nights of the week. They began at twelve o'clock on Sunday night, and did not lie down till Thursday night, and during this time they only snatched their food. Many other mistresses had girls, each on an average about twenty or thirty, between the ages of six and fifteen. The hour for beginning work was seven A. M., and the children invariably worked till ten P. M., if busy, till twelve—the little girls as well as the elder.

There are very many places where little children are now kept till ten and eleven P. M. She has lived six years in London and six in Manchester, and seen a great deal of different kinds of people, and thinks there is no place where the children work so hard for the parents, and the parents live so much on their children, doing little or nothing themselves, as here.

G. H. Last spring he, with some other youths, and the pattern girls, stayed all night three times. They worked till about three A. M., and then lay down on the boards, or anywhere, and got up as usual for the

next day's work. During this season he worked at an average about eighteen hours a day.

Hosiery. The last report which I shall mention with any detail is Mr. White's, on hosiery, a business of some importance, employing more than 120,000 persons.

Owing partly (says Mr. White) to the general habit of the men of "shacking," or idling in the early part of the week even, or still more, when they have work, coupled with the necessity of finishing the work by "taking-in day," usually Saturday, when it is taken to the warehouse, and the simple nature of the work which requires but little delicacy or skill, an excessive pressure of work is thrown periodically upon very young children; and some are employed almost as infants. I have been informed by a manufacturer that his father was employed as a seamer at two years of age and in a frame at so early an age as to distort his fingers by the constant grasp of the iron. Other instances are given of children beginning work at three and a half, four, and many at five years of age.

The labor, however, of the girls who seam, which is the finishing process, is far more excessive than that of the boys who wind, which is the preliminary, though boys seam also and sometimes after completing their winding.

It is common for girls as well as women to sit up at work all Friday night, and even for children to be kept up some time past midnight; evidence is given by parents of their own child, a girl of eight, having worked the whole night through as much as two years ago, with a statement that work of this kind is general; others have done so at eight or nine, and at eleven or twelve, or younger.

The statements of children were given together with those of parents were in all cases made in the presence of and confirmed by the latter, many of whom seemed to look upon the fact of their children working thus as nothing remarkable or out of reason; others regretting it, but as an evil for which there was but small blame anywhere, and no possible help.

The parents commonly complain that the means of education, where provided, are out of their reach; where provided they are not always efficient, and a boy complains of being taught by lads no bigger than himself who only "ax you once and then hit you." The ignorance even amongst adults is extreme.

The paper stainers, the makers of percussion caps, and the finishers and hookers are not sufficiently numerous to be dwelt on in this short outline. But I cannot avoid [giving a little] attention to the sufferings of the children employed in the making of lucifer matches. The inhaling phosphorus subjects them to many diseases,

but peculiarly to the frightful disease called the jaw disease, a disease which after years of intolerable suffering destroys the teeth, then the gums, then the lower jaw, and kills the patient by pain and exhaustion.

Here is the examination of one of the girls (seems about fourteen).

Works at box-making. Never was at school in her life. Does not know a letter. Never went to a church or chapel. Never heard of "England" or "London," or the "sea" or "ships." Never heard of God. Does not know what He does. Does not know whether it is better for her to be good or bad.* ⁴⁰¹

4. Recreation and Amusement: the Blue Laws. The last mode which I shall mention by which a government can give to the poor some of the advantages enjoyed by the rich is by furnishing them with amusement. In modern times this is generally done by providing public walks and gardens and open spaces for exercise, by the gratuitous exhibition of works of art, and in some countries by supporting part of the expenses of theaters. The Queen's Plate given at many English races, though professedly intended merely to improve the breed of horses, is really a contribution to the expense of a great public show. On the whole, however, but little provision is made by any European government for the amusement of the poor; and less perhaps by ours than by any other. This probably arises in a great measure from the superstition in favor of the Jewish observance of Sunday, which has descended to us, somewhat weakened, but still vigorous, especially among the middling classes, from the Puritans. The Puritans, like every other ascetic sect, held that amusement partakes of the nature of sin and therefore especially forbade it on a sacred day. And as that day is the only day on which the poor have any leisure, if they are not allowed amusement then, they can scarcely ever have it. This superstition and the habits to which it has led are a considerable aggravation in England and Scotland of the evils of poverty. It leads the poor, I might almost say it forces them to divide their time not between labor and recreation but between labor and sloth, or intemperance. On their only day of rest being deprived of outdoor amusement by prejudice, or by want of open space, and of indoor intellectual amusement by want of cultivation, they pass the greater part of their Sunday in bed or in the beerhouse.

In many of the ancient states the providing the people with gratuitous amusement was one of the most important functions and

one of the principal expenses of the government. During the latter part of her independence, Athens employed her great public revenue much in the manner of one of our city companies. A small portion of it was devoted to the performance of the real duties of government. The bulk was wasted in entertainments. The entertainments, indeed, of the citizens of Athens were more refined than those of the citizens of London. They were addressed to the mental not to the bodily taste. And we owe to them the dramas which are perhaps the most valuable relics of Grecian art. But these splendid exhibitions of scenic and poetic art were purchased by the independence of the state. If we had spent on the Lord Mayor's show the funds with which we drove the French out of Portugal we should have acted as the Athenians did when they were fighting for their national existence against Philip. "Whatever be the state of your affairs," said Demosthenes, "the Panathenaic and the Dionysian festivals, always take place at their appointed times. You spend on them larger sums than on any of your military or naval expeditions; you employ on them more persons, and a larger capital than on all your other public expenditure."⁵⁷

On the whole this sketch of the influence of government in bringing nearer to a level the happiness of the rich and of the poor is an illustration of the general rule in human affairs that it is much easier to do harm than to do good. It is not in the power of the best government so to remove or to palliate the evils of poverty as to make it nearly as desirable as wealth. It is as difficult to elevate the poor as it is easy to depress the rich.*⁴⁰²

NOTES ON PART X

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¹ [Part IV, Chap. IV, sec. 4.]

² [Part V, Chap. V, sec. 1.]

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³ [For the precise meaning of this term see Part IV, Chap. II, sec. 4.]

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⁴ [An American of international prominence finds it necessary to devote a whole chapter of a widely read book to an exposition of the blessings of modern armaments. Arguing that the sacrifices involved in rearing children to be cannon fodder are as beneficial to human mothers as the sacrifices of hens in laying eggs and hatching chicks are for the health and strength of the animal mothers, he launches a "frightful" attack upon old-fashioned economic theory. The following statements by that author reflect so strikingly the originality of a great inventor that they ought to be inscribed upon the tomb of militarism whenever that creature of human perversity is finally put to rest.

"The nation as a whole is not impoverished in the least by the burden of armaments, but is rather benefited by their support. . . . The money spent by the government in building fighting-ships could not be esteemed so much money lost, *even if the ships were useless*. The government taxes the people for the money to build the ships, and then pays the money back to the people again for the ships. . . . It may be argued that the labor of the people is lost, but what of it? *Labor is neither money nor wealth; it merely represents time*. . . . The result is that *the fighting-ships have cost nothing*. On the contrary, . . . everybody is made better and richer through the building of them."—Hudson Maxim, *Defenseless America*, pp. 228-231.]

⁵ [This section was written in 1850. Towards the end of the Crimean war (September, 1856) Senior visited Scotland, and in a conversation with Lord Aberdeen on contemporary affairs, the latter remarked: "*L'appétit vient en mangeant*", particularly when men are eating their fellow-creatures. The Queen entered into the war with horror. She very soon got to like it very much." "Half the proverbs," he added, "that are quoted as wisdom are folly, and there is none more foolish than '*Si vis pacem bellum para*.' The Greek one, *ἔλκει τον ἄνδρα σιδήρος*, is the true one. It is almost impossible to have a large military force without being tempted to use it. We are not, perhaps, ambitious of territory, but we are of influence."

"The necessity of keeping up a large military force," Senior said, "seems to me to be the peculiar evil which the prevalence of despotism on the Continent inflicts on us. Despots are the only persons to whom war, or the preparations for war, costs nothing. Their incomes, as respects their personal wants, are unbounded. If they like to amuse themselves with large armies and fleets they can force their subjects to waste on them all beyond a bare subsistence, and we cannot in prudence remain comparatively unarmed. A despot with military propensities is like a rich man who devotes his whole income to going

to law with his neighbors. If, instead of having a good house and dogs and horses, he feeds an army of attorneys, *they* are forced to do so too." J⁶, 249-254.

A more plausible and widely-accepted argument in defense of the extraordinary military burdens to which practically all civilized nations have subjected themselves for many years, is based upon the assumption that preparedness insures peace. Expensive armaments, it is said, by increasing the risks of modern warfare, prevent nations from going to war, and in the event of war, adequate preparedness insures a nation against defeat. It is therefore contended that just as the premiums paid for insurance policies are advantageous to their beneficiaries and to the community at large, so the premiums paid by nations in the form of military preparedness are economically and socially desirable not merely from the standpoint of the respective countries but also from that of the world as a whole.

Whatever justification there may have been for preparedness on the part of any particular country at any given time—and no sensible people ever adhered to such vagaries as the crime-breeding and unsocial doctrine of non-resistance—it will be found on further reflection that the analogy between military preparedness and insurance has little foundation either in fact or in theory. The following is a summary of some of the principal reasons why the term "peace insurance" is inapplicable to military preparedness.

First—The object of ordinary insurance policies is primarily to indemnify beneficiaries in the event of losses and only incidentally to prevent losses. No insurance policy is taken out for the purpose of preventing the occurrence of the contingency, the risk of which it covers. No life-insurance company pretends to insure perpetual life; no fire-insurance company guaranties against destruction of property by fire. Though life may be prolonged and destruction of property by fire curtailed on account of "safety-first" movements inaugurated by insurance companies, such benefits are of a secondary nature. The avowed purpose of preparedness, on the contrary, is not to indemnify a nation against loss of life and property as a result of war, but to prevent war by rendering military defeat impossible. Thus, according to Richard Stockton, Jr., "military forces . . . are for the purpose of *preventing* defeat in war. . . . It is thus that a military force, insuring against defeat in war, insures against any war at all." (*Peace Insurance*, pp. 3-4.) Military expenditures in times of peace are not for the purpose of *indemnifying* widows whose husbands will die in battle or of refunding to proprietors the expenses incurred by them for restoring buildings and machinery that will be destroyed by an invasion, but to *prevent* the occurrence of deaths in battle and the destruction of property by an enemy. Hence, expenditures for newer and more powerful engines of destruction are usually hailed as "life savers."

Second—All insurance carriers are guided by the fundamental principle that losses due to any risk covered under the terms of a particular policy should be distributed among all persons exposed to such risks, so as to equalize the burdens of a certain group of individuals or of a particular locality. "Peace insurance" involves no such principle. The losses of a country that sustains military defeat are borne by that unfortunate country alone and are not distributed among its neighbors. Advocates of preparedness, however, would argue that military losses are sustained not on account of preparedness but for lack of adequate preparedness. Can they deny, however, that it was the

very perfection of Germany's preparedness that induced the Kaiser and his military clique to defy the world and precipitate an upheaval which ultimately resulted in ruining the mighty German Empire, together with some of its most cherished institutions?

Third—It follows as a corollary of the principle of distribution of risk that the premium rates on ordinary insurance policies are bound to be smaller with the extension of the number of policy holders exposed to similar risks. But in the case of "peace insurance," the greater the number of nations that are adequately prepared, the greater will be the burdens of each and every nation, and the greater will be the economic waste of society as a whole. In military affairs nations do not appear to be governed by the laws of supply and demand applicable in commercial transactions. The demand for armaments varies directly in proportion to their supply. When one nation increases its military appropriations other nations are bound to follow suit, and so on, until the psychological moment arrives when the crash takes place.

Fourth—Again, the premium rates on ordinary insurance are based upon the expectation of uncertain, but regularly recurring, losses. But in the case of "peace insurance," the premiums paid by an aggressive nation are supposed to be calculated in accordance with a predigested plan of attack for the purpose of gains. In this respect preparedness fosters the gambling spirit.

Fifth—Ordinary insurance policies embody the principle of insurable interest, so that beneficiaries can be indemnified only for *actual losses* sustained by them, and in proportion to such losses as are covered by the policies. But in the case of "peace insurance," if any nation by force of circumstances suffers military defeat, it not only fails to get any "benefits" from its preparedness "policy," however punctilious and far-seeing it may have been in the payment of premiums, but it is usually compelled to pay further indemnities. The victorious nation, on the other hand, levies these burdens upon the vanquished country not in accordance with well-established actuarial principles but rather according to the vulgar dictum of "what the traffic will bear."

Sixth—As all policies of personal or property insurance apply the principles of indemnity against *actual losses* and of insurable interest on the part of the beneficiary, they automatically provide against the elimination of reckless waste due to unscrupulous methods used by some policy holders. The lack of such principles, in the case of "peace insurance," appears to be a frequent cause of such catastrophes as are supposed to be prevented by military preparedness.]

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⁶ [See especially Part IV, Chap. IV.]

⁷ [Cf. Part II, Chap. II, sec. 3.]

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⁸ [This section was written four years after England had finally resolved to inaugurate her present system of free trade. In referring to the utilitarian doctrine—the greatest good for the greatest number—as an established principle of legislation, the author seems to speak as an Englishman to Englishmen; he shows little deference to the numerous pious worshippers of Protection, who, even now, cling desperately to their ancient faith—that the welfare of the "producing" classes is far more important than that of the consuming

masses. In the following passage, written in 1827, the author is still less chivalrous towards the vested interests.

"Our commercial law," Senior observes, "is a subject too full of shame, of pity and of indignation to be willingly dwelt upon. If our commercial regulations were rational, or, to speak more correctly, if we had no commercial regulations whatever; if our legislators had the good sense to perceive that the wealth of a country consists of the aggregate wealth of its different members and is best promoted by allowing each individual freely to direct the course of his own industry, and to select that employment which he finds the most profitable to himself because it is the most wanted and consequently the best paid by the community; if it were no longer our habit to sacrifice the comfort of millions to the luxury of thousands; if Parliament had been shamed or frightened out of the oppressive and dangerous pretension of aggravating the natural monopoly of land, and increasing instead of lightening the weight by which nature has checked the progress of improvement,—if, in short, we had snapped the chains with which folly and avarice have bound us, under such a freedom from self-inflicted evil I should consider the increase of our numbers a source of thankfulness, of hope, and of congratulation. Even at present, overlaid as we are by the cruel kindness of the protective system, cramped and misdirected in all our movements by our own bounties, restrictions, and prohibitions, and by the retaliatory follies of our neighbors, we are by far the first manufacturers in the world. If we were allowed to follow our own judgment in the direction of our own industry, if foreign markets were not interdicted on the ground of their being advantageous, there can be no doubt that our increasing population would be naturally directed towards those branches of manufacturing industry in which we have already a superiority. And every increase of the numbers so employed would be followed by an increased division of labor, by more and better machinery, and consequently by improvements in the quantity, or quality, or both, of the commodities produced by a given amount of exertion." *Lo³, 27-28, 20-24.*

⁹ *Observations on the Statutes*, p. 418.

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¹⁰ [*Cf.* Part VIII, Chap. III, sec. 3.]

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¹¹ [This section was written in 1850.]

¹² [The best study of Chartism with which the present writer is familiar is that by Dr. Preston William Slosson, *The Decline of the Chartist Movement*, 1916.]

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¹³ [As these remarks are based upon information which Senior received from M. Dunoyer, author of *La Révolution du 24^e Février*, it may be of interest to note, in part, the latter's conversation with Bancroft and Senior, under date of July 30, 1849.

"From the *Affaires Étrangères*" (Senior says), "I went to Dunoyer's, and introduced Bancroft to him. Like the rest of the French world, he could talk only politics. Nothing can be more gloomy than his expectations. 'The French,' he says, 'utterly misconceive the purposes for which a government ought to exist, and if that misconception continue they will fall from revolution

to revolution, and from distress to distress, till they end in bankruptcy, anarchy, and barbarism. They think that the purpose of government is not to allow men to make their fortunes, but to make their fortunes for them.' . . . He laughed at the prevailing outcry against Socialism. 'Socialism,' he said, 'is merely the present system logically carried out. It is the theory of a paternal government, which treats its citizens as children, to be all taken care of by the state. Thiers, who speaks and writes so well against Socialism, is a Socialist so far as he is an Imperialist and a Protectionist.'

"This is a very imperfect sketch of a conversation which lasted a couple of hours. It was not indeed a conversation, but a monologue; for Dunoyer was anxious to pour out to an American and an Englishman his indignation against paternal government and centralization, and Bancroft and I were delighted to hear him." J⁵, I, 169, 174.]

¹⁴ [When Senior was in Paris in the spring of 1849, he visited one day the Beaumonts. "I found there," he later remarked, "besides ourselves, La Fayette and M. de Corcelle. We talked of the Parisian elections, and of the Socialists, who are said to have headed the poll.

"I asked what were precisely the measures which were to be feared from the Socialist party. Beaumont said that the Socialist party was like the Protestant Church, an aggregate of many sects, each holding some peculiar doctrines, but all agreeing in some others. The points of faith in which they agree are, that poverty and excessive toil are the result of human institutions, and could be prevented by a more equitable distribution of wealth, and by restricting the hours of labor; that the only lawful source of revenue is labor; and that rent and profit are abuses—abuses even when they arise from acquired property, still more so when from inherited property.

"That the steps to be taken towards the suppression of these abuses are: First, the abolition of the national debt, which will instantly restore to the community about six milliards. Secondly, the abolition of the rent of land, the occupier being turned into the owner, or, where the farm is too large for a single owner, the excess being divided among the peasants who have no land. Thirdly, the *impôt progressif sur la fortune présumée*, by which means all taxation is to be thrown on the rich, and in proportion to their wealth. This, he said, as the most direct road to equality of fortune, was the most approved Socialist claptrap at the elections. Fourthly, the government to enable the workmen to act without capitalists, by supplying them with capital to be managed by themselves. Fifthly, the government to provide employment for those out of work, allowance in aid of insufficient wages, and pensions and asylums for the aged, and founding hospitals and schools for the young.

"To these general principles of action some sects add the reduction of the hours of labor, others the creation of an inconvertible paper money to be a legal tender. This is a favorite measure for the extinction of the enormous weight of mortgages which oppresses the small proprietors. The government is to lend to the mortgagor government paper, at a very low interest (which it can afford to do, as it will cost nothing), with which he will pay off the mortgage. The government is also to lend its paper at a still lower interest to working men, on the security of the income they expect to earn. Wages are no longer to depend on the tyranny of masters; they are to be equitably fixed by public officers, and to be proportioned to the wants of the laborer and of his

family. And, to prevent a rise of wages, in consequence of the emission of so much paper, they are to be fixed from time to time by officers elected by the people, but paid by the government. All foreign commerce by sea and by land is to be managed by national corporations for the benefit of the nation, assisted by consuls to represent the Republic in all foreign towns. In all the centers of population magazines are to be established by the government, in which all objects of consumption—that is, of the frugal consumption which becomes equal fraternal republicans—are to be sold at the cost of production or equitably bartered. Law is no longer to be the luxury of the rich. Judges, advocates, and attorneys are to be paid by the government, and the suitor is to get not only his decision but his pleadings for nothing. The army is never to be diminished, even in peace. It is to be employed in public works.

“I asked if the Socialists were likely to be warlike.

“Not, he said, avowedly for the extension of territory, but certainly for the extension of influence. One of their schemes is a *propagande humanitaire* for the emancipation of nations and races and the diffusion of social democracy, of which France is to be the apostle and the soldier.” J⁶, I, 136–139.]

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¹⁵ [We may get an idea of the far-reaching influence of Socialism on the minds of the French working classes from Senior's report of a sermon preached in Paris on April 4, 1861.

“I went in the morning to hear the Père Félix preach at St. Cotilde. . . . There must have been four or five thousand auditors. . . . The preacher told us that the *classes ouvrières* were the masters of France; that the higher classes, the middle classes, and the army only registered their decrees.

‘The fate of the country,’ he said, ‘is in the hands of the working classes, and the working classes are led,—not by their older members, who are timid,—not by their middle-aged members, who are prudent, but by their youngest members, who are governed—not by their timidity, not by prudence, but by passion, by the love of excitement, by caprice, by envy. You have heard of the *enfant terrible*; the *enfant terrible* is the *gamin de Paris*. All our revolutions have been made by children.

‘Now what is the training which we give to these children who are the masters of our destinies? Is it moral? Is it religious? What is its creed? What is its catechism? It is this.

‘What is God? God is nature; God is the highest power in nature, the human mind. God is in yourselves.

‘What is Satan? A scarecrow.

‘What is duty? The pursuit of happiness.

‘What is happiness? The satisfaction of our desires.

‘What is heaven? This world, if you are happy in it.

‘What is hell? This world, if you are miserable in it.

‘What is the object of government? Equality.

‘What is equality? That no man have an undue share of the means of happiness.

‘What are the means of happiness? Wealth.

‘How is equality to be produced? By taking from the rich and giving to the poor.

‘Such, my brethren, is the catechism which the unprotected child learns in the *atelier*. . . . I put my sermon under the protection of the Immaculate Mother of God.’” J¹⁰, I, 243-244.]

Page 295.

¹⁶ *Histoire de la Révolution de 1848*, Vol. I, p. 4.

¹⁷ [“A revolution,” Senior observes, “by weakening for a time the power of a nation, by injuring its finances, by rendering disaffected a large portion of its population, by disturbing its existing relations with other countries, and by placing at the head of its affairs inexperienced and violent men, is likely to bring on it foreign war, and to render that war disastrous. I am inclined to believe, that the most dangerous revolutions—those which are most likely to arrest, or at least to retard, the progress of civilization—are those which attempt to introduce speculative principles into practice, and to recast society in new and improved forms. Such would have been an Irish revolution for the sake of repeal, a chartist revolution for the sake of the five points, a socialist revolution for the *droit au travail*, a communist revolution in order to abolish inheritance. The mischief of a revolution indeed, is, in general, in proportion to the amount of change which it introduces. The English revolution of 1688, the 18^e Brumaire, and the 29th of July, in France—three revolutions distinguished by their preponderance of good—produced each scarcely any immediate changes, except putting at the head of each nation a new governor, abler than the one who was ejected. They were all personal revolutions: and the characteristic of such a revolution generally is, that a nation changes its administrators, but retains substantially its institutions.” A⁸, 230, 231-232.]

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¹⁸ [“M. de Lamartine’s creed,” Senior observes, “contains doctrines which I find it impossible to reconcile. Communism fills him with horror, Socialism with pity. The possessors of property are to keep it; they are to transmit it to their children. The landlord and the tenant, the capitalist and the laborer, the lender and the borrower, are to make their own bargains. To take from one man in order to give to another, appears to him not progress but robbery ruinous to both parties.

“But, upon these terms, how does he propose *appeler à la propriété l’universalité des citoyens*? I can quite understand how the masses, once admitted to ‘a perfectly equal personal share in the government of a country,’ would produce in that country a *niveau de lumière et de bien-être*; but what I cannot understand is, how are they to do this, *except* by means which raise M. de Lamartine’s horror and pity,—by Communism or by Socialism,—by destroying all property, or by taking from one in order to give to another. Before he pities the schemes of Socialism, M. de Lamartine really ought to unfold his own. He should tell us by what means he proposes to correct the inequalities of fortune, originally produced by differences in talent, differences in economy, differences in industry, and differences in good luck—and, aggravated by gift, by marriage, and by inheritance; and if he cannot correct these inequalities, what becomes of all the justice which he promises? What becomes of his *égalité de niveau et de bien-être*?” A⁸, 244.]

¹⁹ *Séance du 11^e, Sept., 1848*. Assemblée Constituante.

Page 298.

²⁰ *Histoire des Ateliers Nationaux*, par Émile Thomas, p. 80.

²¹ *Ibid.*, p. 58.

²² *Ibid.*, p. 67.

²³ *Ibid.*, p. 70.

Page 299.

²⁴ *Histoire des Ateliers Nationaux*, par Émile Thomas, p. 172.

²⁵ *Ibid.*, p. 376.

Page 300.

²⁶ See the evidence of M. Goudchaux, "Enquête," Tome II, p. 290.

Page 302.

²⁷ [It is often said against the extension of government control that public officials are apt to be less efficient and more corrupt than those employed by private concerns. With reference to this objection, Senior makes the following statement:

"In proportion as men owe to their merit their selection for public office and advancement, and in proportion as a higher standard of morality teaches them that to defraud the public of their time or of their attention, is as dishonest, and therefore as dishonorable, as to plunder it of mere money—will the zeal, activity, and intelligence with which men serve the state approach the intelligence, activity, and zeal with which they serve themselves. No one who compares the state of public service now, and at the beginning of the century, can doubt that we are making great advances in this direction. Where do we see men act in their own concerns with more zeal or more diligence, with more disregard of ease, or comfort, or health, than the officers employed by the government in the relief of Ireland in 1846 and 1847?"

Furthermore, this objection is not applicable to industries where "the magnitude of the concern makes individual agency impracticable, as is the case of railways and gas-works. Here the management must necessarily be by delegates; and a government officer is likely to exhibit as much diligence and as much intelligence as a director, and perhaps greater purity." A⁷, 334, 338.]

Page 303.

²⁸ [Part II, Chap. II, sec. 1.]

Page 304.

²⁹ [Cf. Part II, Chap. I, sec. 3.]

Page 305.

³⁰ [One of the exceptions to the principle of noninterference, Senior observes, is that in which "the interference of the law is required, not to overrule the judgment of individuals respecting their own interest, but to give effect to that judgment; they being unable to give effect to it except by concert, which concert again cannot be effectual unless it receives validity and sanction from the law. The observance of Sunday as a day of rest is an instance. There is probably no institution so beneficial to the laboring classes; and they are aware of it. But without the assistance of law they would probably be unable to enforce it. In the few businesses in which Sunday trading is allowed, every shop is open. Though it would be beneficial to the whole body of druggists that every druggist's shop should be shut on Sunday, it is the immediate

interest of every individual that his own shop should be open. And the result is that none are closed." A⁷, 338.]

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³¹ [This view concerning the origin and prospects of the Sabbath the modern reader cannot entirely accept. The institution of a seventh day of rest originated with the Israelites as a reaction to their bitter experience in Egypt where they were forced to undergo unremitting toil. Once freed from Egyptian bondage, these ancient pioneers instituted a number of important reforms—the Sabbath undoubtedly the greatest of all. Just as European bigotry and intolerance ultimately gave rise to the American conception of religious liberty, so the prevalence of slavery and the harshness of the taskmasters gradually taught mankind the value of conscientious rest.

It is, of course, very true that the mass of the people, who cannot easily extricate themselves from long-rooted habits, must usually be guided by the inexplicable, "Thou shalt" or "Thou shalt not!" Yet, in the long run, whatever is found to be conducive to the welfare of society is adopted, and whatever outgrows its original usefulness is discarded. More than two-thirds of the Biblical precepts—such as those relating to purity and impurity, sacrifices, tithes, usury (interest), Jubilee, Sabbatical year, slavery, and witchcraft—are now all obsolete. On the other hand, the modern movement for longer vacations and shorter periods of labor seems to be an extension of the institution that affords one day of rest in seven.]

³² [This section was written in 1847.]

³³ [The term "factory," under these Acts, applied only to buildings where cotton, wool, hair, silk, flax, hemp, jute, or tow were manufactured. Printworks, for instance, were excepted from these Acts, because the influential manufacturers strongly objected to such legislation.

"The factory system of education," Senior was informed in 1837 by Mr. Thompson, the owner of extensive printworks at Clitheroe, "is wholly inapplicable to calico printing. The child is actually a part of a machine, like a linchpin: just as when the pin is out, the wheel comes off, so a teer boy absent stops his master. The calico printers are, in fact, much more obnoxious to reproach than the spinners, for they now employ children at a much earlier age, work them harder, and work them longer. An ordinary day's work in a print ground is 10 hours of actual labor; but at the busy season, in spring and autumn, or during the shipping months, the hours of actual labor are extended to 12 or 14, and sometimes (with a relay) through the night. If the law interfered to prevent this, it would not be a question of profit to the manufacturer, but of employment for the people. Time is an element in the calculations of a manufacture, dependent on season, taste, and fashion. That which one month fetches a high profit, in the next is sold for none at all, and, in the following, at a heavy loss. The calico printer cannot work to a stock as a spinner or weaver, whose production being the same from year to year, is salable some time or other. The consequence is, that the printer is often idle for weeks, and often again has double the work he can perform in the ordinary hours of labor. It is the same in all countries—France, Switzerland, Germany, and the north of Europe. It is irremediable: and the law that imposed restrictions on the hours of labor in calico printing would destroy the trade, and involve masters and laborers in common ruin." (Senior's *Letters on the Factory Acts*, p. 43.)

Largely as a consequence of the Report of the Children's Employment Commission of 1843, there was enacted the 8 and 9 Victoria, cap. 28 (June, 1845), which prohibited the employment in printworks of children under the age of eight, and prevented children under thirteen and also females from working late at night, *i. e.*, after 10 in the evening. No other protection, however, was afforded against overwork.

It is with reference to this legislation that Senior remarked in 1860, as follows: "As represented by Mr. Thompson, one of the most intelligent and liberal of their body, [the printers] believed in 1837 that any interference whatever with the hours of labor would be fatal to a trade in which idleness for weeks is succeeded by a pressure of business twice as great as that which can be performed in the ordinary hours,—long, almost beyond example, as those of printworks are. Yet since that time infants under eight years old have been excluded from printworks, and children under thirteen and women are excluded from night work,—restrictions which, according to Mr. Thompson, were to involve masters and laborers in common ruin. Yet calico printing is more prosperous than it ever was. Block printing, too, which is supposed to render necessary the oppression of the little teerers, is rapidly giving way to machine printing." RAP¹⁸, 198.]

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³⁴ Book I, Chap. 10.

³⁵ [Writing in 1841 on "the tyranny of combinations," the author stated the following principles of legislation, which may be of interest in this connection:

"I believe that the property of the working man in his strength and skill is as real, and ought to be as much respected by the law, as any other property which the law recognizes.

"I believe that the right of the working man to employ that property in the way which he considers most for his interest, so far as he does not interfere with the exercise of a like free will on the part of another, is a right as sacred as any right for the protection of which laws are maintained.

"I believe, therefore, that it is the duty of the state to protect that property and that right, and that it may be guilty of a breach of duty by acts of commission or of omission. By acts of omission, if it does not protect the laborer from injury on the part of those who assume to dictate to him what he shall do and what he shall not do; by acts of commission, if it assume itself to dictate to him, and to force him to pursue or to abandon a given proceeding, not on the ground that he is interfering with the free will of another, but because his conduct may be detrimental to himself, or to his master, or to the general wealth of society.

"I believe, in short, that in this, as in almost every other matter, the duty of the government is simply to keep the peace, to protect all its subjects from the violence and fraud and malice of one another, and, having done so, to leave them to pursue what they believe to be their interests in the way which they deem advisable." RAP¹³, 98.]

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³⁶ [Cf. Part IX, Chap. III, sec. 3.]

Page 313.

³⁷ [The effect upon social unrest of a legal claim, on the part of the indigent classes, to state assistance is brought out in the author's report of a conversation dated, Paris, October 29, 1850—three years after this section was written.

"Beaumont and Sir James Stephen breakfasted with us. Beaumont is turning his attention to a poor law. He asked me if I did not believe that England owed her stability mainly to her poor law. I answered that a poor law is an engine of enormous power both for good and evil; that the security it gives to the poor man that neither he nor his wife nor his children shall starve is a great tranquillizer; but that the indefinite claim on property which it gives to those who have none is a great irritant. 'You may be right,' I continued, 'in thinking that at present the sedative effects preponderate. Twenty years ago the anarchical ones prevailed. We seemed then to be, and in fact we were, drifting rapidly towards Socialism in its most frightful forms.'

"'But,' said Beaumont, 'as soon as you saw your danger you corrected the errors of your law, or rather of its administration.'

"'Not,' I answered, 'as soon as we saw our danger—not until we had watched its steady advance for half a century. Writer after writer and committee after committee warned us that ruin was approaching; but we applied nothing but what were meant for palliatives, and really acted as stimulants. Until the Poor Law Amendment Act, every attempt at a remedy turned into a poison. Until the Reform Act our case was hopeless. The dislocation of parties, the discredit of traditions, the uprooting of prejudices, and the general ferment which that measure produced, enabled the Poor Law Amendment Bill to be carried. But never before or since has the public mind been in a state in which so violent a change in our most important social relations, in the whole intercourse between the poor and the rich, could have been effected, or even have been proposed.'

"'But,' said Beaumont, 'is not a poor law required by justice? I say nothing in defense of the idler, and I know how difficult it is to prove that a man is out of employment except by his own fault. But suppose this proved—suppose there to be no doubt that the applicant for relief has done his best to get employment or to keep it, and has failed. Has he not a right to existence? Is not the community bound to give him the means?'

"'I will answer,' I said, 'your question by another. Suppose it to be proved that in the previous three months he earned wages which would have supported him during the year. Is the community bound to supply his want of providence? Again, you claim nothing for the idler. How do you treat his wife and children? Are the innocent to suffer for the guilty? Or, to prevent this, is the man who chooses to drink up all his earnings to be allowed to throw on the public the support of his family?'

"'You talk of justice,' said Stephen, 'but one rule of justice is, not to promise what you may be unable to perform. How can a community promise support to all its members, whatever be their numbers, whatever be their conduct, or whatever be its own fortunes? During the last sixty years the population of England has risen from 9 millions to 18. If in the next sixty years it rises to 36 millions, are they all to be entitled to support? and if they are to be so entitled, if no man is to be deterred from marrying by the fear of not being able to maintain a family, what is to prevent its increasing in the next sixty

years to 72 millions? Again, what is to be done if the manufactures, on which millions depend for support, should be interrupted?"

"'Well,' said Beaumont, 'whether for good or evil, or rather for both, the experiment must be tried. When once such a system has been suggested it will sooner or later be adopted. Try it we shall. Our business is to try it in the least dangerous form.'" J⁶, I, 276-278.]

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³⁸ [This has been called the "self-acting test" of an applicant's claim on public relief. "The Commissioners of Inquiry" (Senior wrote in 1841) "had reported that it was not expedient, or even practicable, to return to the provisions of the 43d of Elizabeth; and exclude from relief the able-bodied laborer who professed to be unable to earn wages adequate to the support of his family. But they held that there must be some *test* of the truth of his representations; and that the test must be, making relief less eligible than independent labor. If he accepted these terms, that acceptance *tested* the reality of his wants.

"These principles were acknowledged by the commissioners to whom the execution of the law was intrusted; the difficulty lay in their application.

"There appear to be three modes, and only three modes, by which relief can be rendered less eligible than independent labor. 1. By requiring from the pauper labor more severe or more irksome than that of the laborer. 2. By giving to him a subsistence inferior in amount or in quality. 3. By connecting his subsistence with disagreeable conditions. The second of these—the affording to the pauper a less amount of the necessities of life than is earned by the laborer—could not be thought of. It would not be easy to do so, and to preserve him and his family in health and strength. And even if it had been practicable, it would have been effectually resisted by public opinion. Even under the present workhouse system, which affords all the necessities of life in much greater abundance than the cottage, the supposed inadequacy of the workhouse diet is a constant subject of popular complaint. How great would have been the indignation if such a complaint had had a real foundation!

"The first expedient, or, as it has been called, the labor test, has been found practicable for short periods in towns, where the applicants for relief all reside in the same neighborhood, and can be collected in one work-yard, under one or two paid inspectors, and be employed in labor disagreeable to persons of sedentary habits. But long experience has shown its inapplicability to a scattered agricultural population, who must in independent employment submit to toil and exposure, and can be put to no severer work. This difficulty, added to that of finding vigilant inspectors, has reduced parochial employment, wherever it has been attempted in country districts, to almost nominal work, and therefore deprived it of all claim to be a test; and even in towns it requires an unrelaxed inspection, which cannot be long sustained.

"There remained therefore the third plan, which proposed to connect the relief of the able-bodied with a condition which no man not in real want would accept, or would submit to when that want had ceased. The condition thus selected as a test, was, that the able-bodied applicant, with his family, *should enter a workhouse*—should be supported there by a diet ample indeed in quantity but from which the stimulants which habit had endeared to him were excluded—should be subjected to habits of cleanliness and order, be separated

from his former associates, and debarred from his former amusements." A², 29–30.

With reference to the workhouse system that was gradually adopted, as a result of the Poor Law Inquiry of 1832–1834, Senior gave the following testimony under date of June 24, 1862.

"Were not you on the first Poor Law Commission of Inquiry?—Yes, certainly.

"In your report did not you recommend a much greater classification than exists at present in workhouses?—Yes; we recommended that in every union there should be a separate school; we said that the children who went to the workhouse were hardened if they were already vicious, and became contaminated if they were innocent, and we recommended that in every union there should be a building for the children, and one for the able-bodied males, and another building for the able-bodied females, and another for the old; we supposed the use of four buildings in every union.

"Four distinct institutions?—Except in this, that they need not be workhouses; you might easily hire a house for four distinct institutions separate from one another. We never contemplated having the children under the same roof with the adults." Minutes of Evidence taken before the Select Committee on Poor Relief, p. 74.]

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³⁹ [Cf. Part II, Chap. II.]

Page 317.

⁴⁰ [Cf. Part V, Chap. II, sec. 3.]

Page 320.

⁴¹ *History of the Poor Laws*, p. 120.

Page 324.

⁴² *Hansard*, Vol. XXXII, p. 703, *et post*.

⁴³ *Ibid.*, p. 1427.

Page 326.

⁴⁴ [Cf. Part IX, Chap. IV, sec. 3.]

⁴⁵ [This and the next two paragraphs were written in 1846. Testifying in June, 1862, before the House of Commons Select Committee on Poor Relief, Senior was asked:

"In point of fact, the outdoor relief consists, in the majority of cases, in giving relief on specific occasions, such as the confinement of the wife, an accident to the husband, and other casualties, which reduce suddenly the independent working man to the condition of a person asking relief?

"I wish that was the case" (Senior replied), "I believe that the intention of the law when it was passed was that outdoor relief should be the exception, and that indoor relief should be the rule; but the administration of the law ever since the very beginning has been that outdoor relief is the rule, and that indoor relief is the exception. I believe that the number of outdoor paupers is four or five times as great as that of indoor paupers." *Evidence*, p. 65.

According to the Minority Report of the recent Poor Law Commission (1909), nine-tenths of the persons relieved by the destitution authorities are non-able-bodied; and more than two-thirds of the paupers in the United Kingdom are in receipt of outdoor relief. *Report*, pp. 726 and 739.]

Page 328.

⁴⁶ [Cf. Part IV, Chap. III, sec. 3.]

Page 331.

⁴⁷ Report of the Committee of Council on Education, 1862-1863, p. 338.

Page 335.

⁴⁸ [It is said, however, that "if in some agricultural districts the laborers are, owing to low wages, unable to educate their children, the burden of doing so ought to fall on the lords of the soil of that district, whom there seems no reason for relieving of their duty at the expense of the community at large."]

"On what principles?" Senior retorted.

"Is it the fault of the lords of the soil that wages are low?"

"The causes of the difference in wages between districts under similar conditions of soil and climate are obscure.

"Inferiority of race, improvident marriages, and consequent local surplus population, ignorance as to the amount of wages elsewhere, and of the means of obtaining them, the obstacles to migration created by the law of settlement, want of skill or of diligence, and the general sluggishness and helplessness which belong to defective education, appear to be the principal causes of low wages; but for how many of them are the lords of the soil peculiarly responsible? are they peculiarly responsible for any one of them?"

"If I own lands in a parish in which a building society has established a colony of ill-paid laborers, is it my duty to educate their children?"

"If I let lodgings, is it my duty to educate my lodger's children?"

"There is indeed a precedent for this injustice in the poor law; but the object of the poor law is to diminish pauperism. This can be done only by making the charge local. The injustice is excused by the necessity, or rather the necessity destroys the injustice. We do *not* wish to diminish education, we wish to increase it. By localizing the whole charge, we should diminish, and in many places destroy, education; we should be doing an unjust thing in order to do an inexpedient thing." RAP¹⁷, 5.]

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⁴⁹ By 18 and 19 Vict., c. 34, sec. 3, "It shall *not* be lawful for the guardians to impose as a condition of relief that education should be given to any child of any person requiring relief."

⁵⁰ *Answers* [to queries of the Commission on Popular Education, 1859], pp. 3 and 20.

Page 339.

⁵¹ ["I firmly believe," Senior observed, "that to starve a child's soul is as wicked as to starve its body. Far more wicked, indeed, because far more mischievous. Far more mischievous to the child, and far more mischievous to society. A child whose body has been starved to death, is as if it had never existed. It is merely one human being the fewer. A child's soul cannot be starved to death: it can only be perverted. It must live a source of misery to itself, and to every one else in this world. What may be its fate in another it would be presumptuous in us to guess." RAP²⁰, 13.

Those, however, who still adhere to the ancient doctrine of FREE Will and to the different dogmas which have sprung out of it, find it very convenient to condemn such starved souls to torture and anguish long after their bodies

have ceased to exist. According to those theorists, no matter how imperfect a person may happen to be intellectually or emotionally he must always be accountable for his conduct, since volitionally we are all supposed to be endowed with *perfect* insight so as to enable us to differentiate good from evil, right from wrong, and to act accordingly. Compare Part I, note 3.]

⁵² [The following are some of the questions and answers:

"6686. Is it not essential to do justice as between the independent poor and those who would cast themselves upon the rates?—I feel, that if a guardian refused to allow a child to be educated, because some money could be saved to the parish by so refusing, it would be an act of wickedness and cruelty.

"6687. Do you think that they should be allowed to subsidize paupers out of the public resources, when they have children who can earn their livelihood, whilst the families of independent poor, who pay rates, do send their children to work, so as to assist in their maintenance?—I think that parents who send their children to work, instead of allowing them to be educated, are guilty of cruelty and wickedness to their children, and I do not think that the guardians ought to require any parent to be guilty of such conduct.

"6694. Do not you think it would be the duty of the guardians to say, 'No, you cannot have your children educated at the public expense, because the children of the independent poor of this district are not so educated?'—I should say that if any guardian did that, he would be exceedingly short-sighted. I believe that there is nothing which creates paupers so much as ignorance, and that to require a child to work, perhaps, that he may earn 6*d.* a day by scaring birds, instead of going to school, would be not only very wrong, but very short-sighted.

"6828. With regard to the 34,000 children who are at work, you would not take them from their work and put them to school, as a condition of giving relief to their parents?—I would take care that they attended school for a certain time, a couple of hours a day, for instance.

"6829. If those children are at work under any conditions, you do not propose to withdraw them from their work as a condition of giving relief to their parents?—I would do so if work were incompatible with education. *I think it is as much the duty of society to see that a child is educated, as to see that it is fed.* You have no more business to neglect one duty than the other." RAP¹⁹, 53, 67.]

⁵³ *Oxford Essays of 1856*, p. 258.

Page 340.

⁵⁴ [This paragraph was written in 1860.]

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⁵⁵ [The remark in regard to the hatred of sects holds good to-day and even in this land of "religious liberty" as in Senior's time and country. Our political, social, and economic fabrics are still saturated with the venomous by-products of that asinine, that cat-and-dog prejudice, which the self-righteous votaries of different shibboleths have diffused under the cloak of religion. At the last National Convention of the Democratic Party, the issue of religious toleration was *the* one on which the delegates fought the most protracted battle in the history of American party politics. There were two questions connected with that issue: one related to the old tradition that a Catholic cannot be

President of the United States; the other had reference to the pernicious activities of a secret anti-Catholic organization.

This religious bigotry, this clannish snobbery, especially on the part of those who label themselves "100 per cent Americans," is undermining the very foundations of our democratic institutions. Statistical data on some of the effects of religious prejudice are recorded every day in our press. Here are a few samples of them picked out at random from the help-wanted columns of a Chicago newspaper.

"*Operator for broadcasting station*; must be a Protestant Christian and familiar with Western Electric outfit." "*Young man*, 21-23, Gentile, to do office work, stenographic and general clerical." "*Business woman*, salary \$50 to \$75 weekly; must be good stenographer, able to dictate letters and direct other employes; to secure attention you must state age, education, religion." "*File clerks*, Gentile, experienced, for wholesale house." "*Big caliber salesman*; to secure attention you must state age, height, weight, education, religion, experience." "*Bright young lady*, Gentile, to assist at bookkeeping; state age and salary." "*Engineer-editor*—state age, education, experience, religion, present and past earnings; enclose samples to show your literary style." "*Boy, Gentile*, to run errands either all day or afternoons." "*Boy, Gentile*, for buffing and repairing motors and help around office." "*Dictaphone operator*, permanent position for Gentile girl; must be rapid and accurate." "*Salesman*, high school or college graduate, married, age 30 to 38, Gentile, and a resident of Chicago for the past 4 or 5 years." "*Pharmacist*, apprentice, 2 years' experience, Gentile preferred." "*Young lady stenographer*, Gentile, high school graduate preferred; state age, experience, and salary desired." "*Bookkeeper*, young man, Gentile, to keep complete set of books." "*Stenographer*, Gentile preferred, experienced high school graduate; state age, experience, and salary desired." "*Accountant*, Gentile, for manufacturing concern, no consideration unless full information given in letter." "*Bookkeeper-Stenographer*, experienced advertising, Gentile; give references, experience, salary expected, otherwise no attention." "*Office manager* for prominent furniture manufacturer, Gentile, exceptional opportunity for a serious minded and ambitious man of clean record." "*Assistant Office Manager*, about 30 years old, state age, nationality or descent, religion, education, and details of experience." "*Typist-switchboard operator*, Gentile girl."

Senior has shown remarkable insight into the purposes and designs of Providence. He has discovered, for instance, that landlords have been created for the special purpose of keeping down population (Part V, Chap. III, sec. 3); and that the virtues and vices with which mankind is endowed have been so compounded and limited as to enable us to prove our mettle in this world of trial (Part X, Chap. III, sec. 2). It would be interesting to know the ultimate reason why sects were created. Was it for the purpose of disseminating hatred in the name of universal love? On this point, apparently, the designs of Providence have not been revealed to the author.]

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⁵⁶ [This was written in 1863.]

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⁵⁷ Phil.: A.

APPENDICES

APPENDIX I

SENIOR'S ECONOMIC MANUSCRIPTS AND OTHER WRITINGS¹ TO WHICH REFERENCES ARE GIVEN IN THESE VOLUMES *

Symbols Used for Different Sources

- A = Anonymous Articles
 J = Journals, etc.
 Ln = New Series of Lectures—Original MSS.
 Lo = Old Series of Lectures—Original MSS.
 Lop = Old Series of Lectures—Published
 M = Miscellaneous MSS.
 RAP = Reports, Addresses, and Pamphlets

A.—SENIOR'S ARTICLES PUBLISHED ANONYMOUSLY² IN THE EDINBURGH REVIEW

Symbol	Titles and Dates of Publication
A ¹	<i>Grounds and Objects of the Budget</i> —July, 1841
A ²	<i>English Poor Laws</i> —October, 1841
A ³	<i>The Budget of 1842</i> —April, 1842
A ⁴	<i>Free Trade and Retaliation</i> —July, 1843
A ⁵	<i>European and American State Confederacies</i> —January, 1846
A ⁶	<i>Lord King</i> —October, 1846
A ⁷	<i>J. S. Mill's Political Economy</i> —October, 1848
A ⁸	<i>The Revolution of 1848</i> —January, 1850
A ⁹	<i>Lord Campbell's Chief Justices</i> —January, 1851
A ¹⁰	<i>American Slavery</i> —London: Longman & Co., 1856 (A reprint of an article on <i>Uncle Tom's Cabin</i> of which a portion was published in the <i>Edinburgh Review</i> , April, 1855)

* See Appendix II

J.—SENIOR'S JOURNALS, ETC.

Symbol	Titles, Periods Covered, and Dates of Publication
J ¹	<i>N. W. Senior's Correspondence and Conversations with Count de Tocqueville</i> —(1834–1859). 2 volumes. Edited by M. C. M. Simpson. London: H. S. King & Co., 1872
J ²	<i>Historical and Philosophical Essays</i> —(1841–1862). 2 volumes. Edited by M. C. M. Simpson. London: Longman & Co., 1865
J ³	<i>Biographical Sketches</i> —(1842–1857). London: Longman & Co., 1863
J ⁴	<i>Journals, Conversations, and Essays relating to Ireland</i> —(1843–1862). 2 volumes. Edited by M. C. M. Simpson. London: Longman & Co., 1868
J ⁵	<i>Journals Kept in France and Italy</i> —(1848–1852). 2 volumes. Edited by M. C. M. Simpson. London: H. S. King & Co., 1871
J ⁶	[Senior's Journals Kept in London, Scotland, and Wales, 1852–1856]. See <i>Many Memories of Many People</i> , by M. C. M. Simpson. London: Edward Arnold, 1898 (pp. 139 to 273)
J ⁷	<i>Conversations with M. Thiers, M. Guizot, and Other Distinguished Persons</i> —(1852–1860). 2 volumes. Edited by M. C. M. Simpson. London: Hurst & Blackett, 1878
J ⁸	<i>Conversations and Journals Kept in Egypt and Malta</i> —(1855–1856). 2 volumes. Edited by M. C. M. Simpson. London: Sampson, Low, Marston, 1882
J ⁹	<i>A Journal Kept in Turkey and Greece</i> —(1857–1858). London: Longman & Co., 1859
J ¹⁰	<i>Conversations with Distinguished Persons during the Second Empire</i> —(1860–1863). 2 volumes. Edited by M. C. M. Simpson. London: Hurst & Blackett, 1880

Ln.—NEW SERIES OF LECTURES ON POLITICAL ECONOMY (original MSS.),
which Senior Delivered in the University of Oxford between
1847 and 1852, and Revised during 1852–1864

Symbol	Courses, Titles of Lectures and When Delivered
First Course (1847–1848)	
Ln ¹⁻⁴	<i>Four Introductory Lectures on Political Economy</i> [published in 1852 and revised thereafter (very likely between 1857 and 1862)]
	1. <i>Causes That Have Retarded the Progress of Political Economy</i>
	2. <i>Political Economy a Mental Study</i>
	3. <i>Reasons for Treating Political Economy as a Science</i>
	4. <i>Political Economy a Positive, Not an Hypothetical Science—Definition of Wealth</i>
Ln ⁵	5. <i>Universal Desire of Wealth</i> [additional pages relating to the author's travels in Egypt and Greece were evidently inserted after 1857]
Ln ⁶	6. <i>Power of Government to Alter the Degree in Which Wealth Is Desirable—commenced</i>
Ln ⁷	7. [Ditto]—concluded
Ln ⁸	8. <i>Production of Wealth</i>
Ln ⁹	9. <i>Direct and Indirect Production</i> [paginated 93 to 121]
Second Course (1848–1849)	
Ln ¹⁰	1. <i>Classification, Nomenclature, and Definition</i>
Ln ¹¹	2. <i>Classification of the Instruments of Production</i>
Ln ¹²	3. <i>Definitions of Capital—commenced</i>
Ln ¹³	4. [Ditto]—concluded
Ln ¹⁴	5. <i>National Capital—commenced</i>
Ln ¹⁵	6. [Ditto]—concluded
Ln ¹⁶	7. <i>Capital continued: Division of Labor</i>
Ln ¹⁷	8. <i>Capital concluded: Instruments (Instrument—Abstinence)</i>
Ln ¹⁸	9. <i>Abstinence—concluded</i>
Third Course (1849–1850)	
Ln ¹⁹	1. <i>Efficiency of Capital Applied to Agriculture—commenced</i>
Ln ²⁰	2. [Ditto]—continued
Ln ²¹	3. [Ditto]—concluded
Ln ²²	4. <i>Population: Preventive Checks—commenced</i>
	5. ————— [missing! From the opening paragraph of Ln ²³ it appears that the fifth lecture of this course consisted of abstract generalizations based upon hypothetical premises concerning Landlordism. In view of Senior's opposition to reasoning from hypotheses, as stated in Ln ¹⁻⁴ (subdivision 4), the author probably thought it best to destroy this lecture, especially since the same subject is treated concretely in Ln ²³]
Ln ²³	6. <i>Population: Preventive Checks—concluded</i>
Ln ²⁴	7. <i>Population: Destructive Checks—commenced</i>
Ln ²⁵	8. [Ditto]—concluded
Ln ²⁶	9. <i>Population: Remedial Checks—commenced</i>

Symbol	Courses, Titles of Lectures and When Delivered— <i>Continued</i>
Fourth Course³ (1850-1851)	
Ln ²⁷	1. <i>Population: Remedial Checks—concluded</i>
Ln ²⁸	2. <i>Colonization</i>
Ln ²⁹	3. <i>Recapitulation begun: Production</i>
Ln ³⁰	4. <i>Recapitulation continued: Production</i>
Ln ³¹	5. <i>Recapitulation concluded: Efficiency of Capital Applied to Agriculture</i>
Ln ³²	6. <i>Exchange—Value—Cost of Production</i>
Ln ³³	7. <i>Monopolies</i>
Fifth Course⁴ (1851-1852)	
Ln ³⁴	6. <i>Cost of Gold</i> ⁵ [this is the sixth and only available lecture of the fifth course. It was written in 1851]
Ln ³⁵	<i>Beginning of a Lecture on the Retardation of Capital by Unwise Legislation</i> [Fragmentary part of a lecture written probably between 1849 and 1850]

Lo.—OLD SERIES OF LECTURES ON POLITICAL ECONOMY (original MSS.),
which Senior Delivered in the University of Oxford
between 1826 and 1830—Eight volumes

Symbol	Courses, Titles of Lectures and When Delivered
Lo ¹	<p>First Course (1826-1827)—One volume (dated 1826)</p> <ol style="list-style-type: none"> 1. <i>Introductory</i> 2. <i>On the Nature of Wealth</i> 3. <i>On the Nature of Value</i> 4. <i>On the Nature of Exchange and Money</i> 5. <i>On the Nature of Money</i> [6, 7, and 8 are omitted from this volume. See Lop¹] ⁶ 9. <i>On the Various Scientific Definitions of Wealth Differing from that in the Second Lecture</i>
Lo ²	<p>Second Course (1827-1828)</p> <p>Volume I (dated 1827)</p> <ol style="list-style-type: none"> 1. <i>On Production and Consumption</i> 2. <i>On Abstinence</i> 3. <i>On Capital and Machinery</i> 4. <i>On Division of Labor</i> 5. <i>On Application of Capital to Land</i>
Lo ³	<p>Volume II (dated 1827)</p> <ol style="list-style-type: none"> 6. <i>On the Corn Laws and the Poor Laws</i> 7 and 8. <i>On Population</i> 9. <i>On the General Desire for Wealth</i>
Lo ⁴	<p>Third Course (1828-1829)</p> <p>Volume I (dated 1828)</p> <ol style="list-style-type: none"> 1. <i>On the Cost of Production</i> 2. <i>On Price where Competition is Unequal</i> 3. <i>General Laws of Price (continued)</i> 4. <i>Some Effects of Corn Laws</i>
Lo ⁵	<p>Volume II (dated 1828)</p> <ol style="list-style-type: none"> 5, 6, 7, and 8. <i>On Money</i>
Lo ⁶	<p>Volume III (dated 1828)</p> <ol style="list-style-type: none"> 9, 10 and 11. <i>Money [concluded]</i>
Lo ⁷	<p>Fourth Course (1829-1830)</p> <p>Volume I (dated 1829)</p> <ol style="list-style-type: none"> 1 and 2. <i>Rent, Profit, and Wages</i> 3. <i>Variations in Wages and Profits in Various Employments</i> 4. <i>Effects of Uncertainty on Profits</i>
Lo ⁸	<p>Volume II (dated 1829) ⁷</p> <ol style="list-style-type: none"> 5. <i>Meaning of High and Low Wages, and High and Low Price of Labor</i> 6 and 7. <i>Popular Errors Respecting the Causes which Influence the Rate of Wages</i>

Symbol	Courses, Titles of Lectures and When Delivered— <i>Continued</i>
	Fourth Course (1829–1830)—<i>Continued</i>
	8. <i>Causes which Influence the Rate of Wages:</i> (a) <i>Productiveness of Labor</i> (b) <i>Proportion of Laborers Not Employed for the Benefit of Laborers</i>
	9. <i>Effect on Wages of Rate of Profit</i>

Lop.—OLD LECTURES ON POLITICAL ECONOMY—Published

Symbol	Titles and Dates of Publication
Lop ¹	<i>Three Lectures on the Transmission of the Precious Metals from Country to Country and the Mercantile Theory of Wealth</i> , delivered before the University of Oxford in June, 1827. London: J. Murray, 1828
Lop ²	<i>Two Lectures on Population</i> delivered before the University of Oxford in the Easter term, 1828. <i>To which is added a Correspondence between the Author and Rev. T. R. Malthus.</i> London: Saunders & Otley, 1829
Lop ³	<i>Political Economy</i> . ⁸ London: Griffin & Co., 1854 octavo edition (Reproduced from the original edition which appeared as an article in the <i>Encyclopædia Metropolitana</i> , published in 1836)

M.—MISCELLANEOUS MANUSCRIPTS ⁹

Symbol	Nature of Manuscript
M ¹	Letter to Henry Senior (brother)—December 9, 1814
M ²	"Corn Laws" [published anonymously with some omissions in the <i>Quarterly Review</i> , July, 1821]
M ³	Letter to T. R. Malthus—April 9, 1829 (including Malthus' reply on the same sheet of paper)
M ⁴	<i>Letter to Lord Howick on the State of Ireland in 1831</i> (afterward published with omissions), with notes by T. R. Malthus, and others
M ⁵	Letter to Count Arrivabene—May 25, 1834
M ⁶	Letter to M. Quetelet—about 1841
M ⁷	Letter to Count Arrivabene—May 28, 1842
M ⁸	Letter to Archbishop Whately—March 20, 1845
M ⁹	Letter to Macvey Napier—August 18, 1846 (British Museum, Manuscript Department, Volume 34,626, MS. No. 357)
M ¹⁰	Letter to Macvey Napier—January 27, 1847 (British Museum, Manuscript Department, Volume 34,626, MS. No. 563)
M ¹¹	[Manuscript notes (not dated) by Archbishop Whately on Senior's <i>Political Economy</i> , published in 1836 (original MS. in Library of Economic Literature, University of London)] See also RAP ⁸ and RAP ¹¹

RAP.—SENIOR'S REPORTS, ADDRESSES, AND PAMPHLETS

Symbol	Nature of Documents
RAP ¹	Political Economy Club of London— <i>Minutes of Proceedings and Questions Discussed</i> (for questions discussed by Senior, 1823–1861, see Volumes I, II, IV, and VI—printed in 1860, 1872, 1882, and 1921, respectively)
RAP ²	<i>Ambiguous Terms in Political Economy</i> (see pages 309–322 of Richard Whately's <i>Elements of Logic</i> , London: J. Mawman, 1827)
RAP ³	Real Property Commissioners, <i>First Report</i> , 1829. Appendix, pages 403–413 and 588–590 (Senior's testimony)
RAP ⁴	Real Property Commissioners, <i>Second Report</i> , 1830. Appendix, pages 369–372 (Senior's testimony)
RAP ⁵	Report from the Select Committee on a <i>General Register of All Deeds and Instruments Affecting Real Property in England and Wales</i> , 1832 (Senior's testimony April 3, 1832)
RAP ⁶	Horton (Right Hon. Sir R. W.), <i>An Inquiry into the Causes and Remedies of Pauperism—Fourth Series. Explanation of Mr. Wilmot Horton's Bill, in a Letter and Queries Addressed to N. W. Senior with His Answers</i> . London: 1830
RAP ⁷	Senior's <i>Statement of the Provision for the Poor, and the Condition of the Laboring Classes, in Considerable Portion of America and Europe</i> (Being the Preface to the <i>Foreign Communications contained in the Appendix to the Poor</i> ¹⁰ <i>Law Report</i> [1834]) London: B. Fellowes, 1835
RAP ⁸	Senior's <i>Outline of a Pamphlet</i> "On the consideration due to individual interests and on the measures which the present crisis demands of Government must be undertaken by the present administration and by their successors" [original MS. with critical notes by prominent members of the Whig Party], 1835
RAP ⁹	Senior's pamphlet <i>On National Property, and on the Prospects of the Present Administration and of Their Successors</i> [published anonymously]. London: 1835
RAP ¹⁰	"[Private.]— <i>Proofs of a Preface</i> , which was intended, in 1835, to be prefixed to the fourth edition of a pamphlet on <i>National Property</i> , but which remains unpublished." May 22, 1835. With <i>Appendix</i> [dated April 2, 1838] on the <i>Clauses for the Re-distribution of the Services and Revenues of the Irish Church Proposed</i> [in 1835] by Mr. B. Baring
RAP ¹¹	Senior's account (original MS.) of a Cabinet meeting on May 31, 1835, at which it was resolved that his Preface (RAP ¹⁰) could not be published for political reasons
RAP ¹²	Senior's <i>Letters on the Factory Act, as it affects the cotton manufacture, addressed, in the spring of 1837, to the President of the Board of Trade</i> . ("To which are appended a letter to Mr. Senior from Mr. L. Horner, and minutes of a conversation between Mr. E. Ashworth, Mr. Thomson, and Mr. Senior") London: B. Fellowes, 1837. [Edition of 1844 contains a <i>Note</i> by Senior as to the crit-

Symbol	Nature of Documents— <i>Continued</i>
	icism of the <i>Letters</i> by the "Spectator," March 23, 1844, and the refutation of that criticism in the "Morning Chronicle," March 25, 1844; also a notice of a criticism by the "Times," March 29, 1844.]
RAP ¹³	<i>Report of the Royal Commission on the Condition of the Hand-loom Weavers</i> , ¹¹ February 19, 1841
RAP ¹⁴	<i>Remarks on the Opposition to the Poor Law Amendment Bill</i> , by a <i>Guardian</i> . ¹² London: J. Murray, 1841
RAP ¹⁵	<i>Report from the Select Committee of the House of Lords on the Burdens Affecting Real Property—Minutes of Evidence</i> . [Senior's testimony, March 18, 1846—Questions 5406 to 5571]
RAP ¹⁶	Report of the British Association for the Advancement of Science, Oxford, June and July, 1860— <i>Opening Address by Nassau W. Senior</i> , President, Section F, Economic Science and Statistics
RAP ¹⁷	Senior's comments (printed memorandum, February 1, 1860) on a "confidential" paper (printed) submitted by Mr. Goldwin Smith to the attention of the Royal Commission on Popular Education (1859-1860), of which Senior was a member
RAP ¹⁸	Senior's <i>Suggestions on Popular Education</i> . London: J. Murray, 1861
RAP ¹⁹	<i>Minutes of Evidence Taken before the Select Committee on Poor Relief</i> —Senior's testimony, June 20 and 24, 1862
RAP ²⁰	<i>Address on Education</i> delivered to the National Association for the Promotion of Social Science, by Nassau W. Senior, President of the Department of Education, on its Seventh Annual Meeting in October, 1863. London: 1863

NOTES ON APPENDIX I

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¹ The sources given in Appendix I cover only those writings of Senior which have been utilized in the preparation of this treatise. No attempt has been made to give an exhaustive list of the author's writings, simply because such a bibliography would lead us far beyond the scope of the present work.

² References to Senior's articles, with the exception of A¹⁰, all relate to the pages of the original publications in the *Edinburgh Review*. The following data show conclusively that Senior was the author of all the specified anonymous articles.

As regards A¹ and A³, see Macvey Napier, *Correspondence* (1879 edition), pages 352, 355, and 387—letter from Lord Brougham, July 16, 1841; letter from James Stephen, August 13, 1841; and letter from Lord Jeffrey, April 28, 1842. It is evident from the first paragraph of A³ ("Nine months ago we remarked," etc.) that the author of that article also wrote A¹. One paragraph from A³, page 194 ("One of the great rules of commercial legislation . . . who can wonder at Chartism") is reproduced, in revised form, in Ln³⁵, pages 80–82. Obscure references to these two articles are also found in Senior's letter to de Tocqueville, May 10, 1842 (see J¹, Vol. I, p. 26).

A² and A⁵ are reprinted in J²; A⁶ and A⁹ are reprinted in J³; and extracts from A⁸ are reprinted in J⁵.

In regard to A⁴ see the pamphlet by Colonel Robert Torrens, *A Letter to N. W. Senior, Esq., in reply to the article, "Free Trade and Retaliation."* London: Smith, Elder & Co., 1843.

For the information in regard to A⁷, the editor is indebted to Longmans, Green & Co., publishers of the *Edinburgh Review*. These publishers, however, claim to have no records concerning the authorship of the articles that appeared in the *Edinburgh Review* prior to 1848.

A¹⁰ has been reprinted, with additions, as a separate pamphlet under Senior's name.

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³ Unlike the previous three courses, the Fourth Course contains only seven instead of nine lectures. At the end of Ln³³ it says: "In the 2" [5 was later substituted for 2] "next lectures I shall inquire into the nature of the great instrument of exchange, Money." It is very likely that the money lectures were actually delivered in this course, since the previous seven lectures together with the two on money would have made nine lectures—the number required for each "course" according to the original rules governing the endowment of the political economy professorship at Oxford (cf. the *Oxford University Calendar*, 1852, pp. 60–61). It is furthermore probable that the two lectures on money, in the present course, consisted of old lectures on the subject, which had not been published (Lo¹,—4 and 5).

Whatever may have been the original arrangement of the Fourth Course, it is certain that we now have all the lectures belonging to that group as the author finally left them, since on the cover of Ln²⁷ there is a significant statement in Senior's handwriting: "Only 7 in this course."

⁴ The last sentence of Ln³³ quoted in the preceding note shows that the first five lectures of the Fifth Course were on money. No new lectures, however, on that subject are now available, and in all probability they were never written.

As stated before, it is the editor's opinion that Senior must have utilized his old lectures on money. The author discussed again the theory of money in long articles, which appeared in 1843 and 1846 (A⁴ and A⁶), and in those contributions he emphasized the main principles on the subject discussed in his old lectures.

⁵ The sixth and only available lecture of the Fifth Course (Ln³⁴) deals with the theory of wages, elaborating upon the ideas contained in the Report on Hand-loom Weavers (RAP¹³). It contains nine clippings from that Report, without quotation marks (though no references to that source are indicated). Those clippings Senior revised by substituting such expressions as "I am" for "we are," "laborers" for "weavers," etc. In one of those clippings, Ln³⁴, p. 7, the figure "20" in the sentence commencing with "Nearly 20 years have passed since the application of the power loom to wool" etc., is changed to "30." This shows that Ln³⁴ must have been written in 1851, *i. e.*, ten years after the publication of RAP¹³.

At the end of Ln³⁴ it says: "In the following lecture I shall consider the effects of the other great regulator of the price of services, the limitation of their supply." This shows that in the seventh lecture of Course Five, Senior proposed to follow the outline of the causes affecting wages presented in RAP¹³, p. 23, a clipping of which is inserted in Ln³⁴, p. 4.

There is no clue as to how the author arranged the rest of the lectures in the Fifth Course. It is known, however, that he *did* deliver more lectures—very likely old material. In a letter to de Tocqueville, dated March 19, 1852, Senior writes: . . . "I have begun to read Bastide, and intend to make the publication of my lectures on political economy my principal literary pursuit. I delivered the last on Monday" (see J¹, Vol. II, p. 24).

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⁶ In Lo¹, p. 290, it is stated: "The sixth, seventh and eighth lectures of this course having been published are omitted in this copy." The following statement, in Senior's handwriting, was added later. "They are published under the title of Three Lectures on the Transmission of the Precious Metals from Country to Country, and the Mercantile Theory of Wealth, by N. W. Senior. Murray."

⁷ The flyleaf of Lo⁸ contains a list, in Senior's handwriting, of the lectures contained therein, with a notation as to lectures 5, 6, and 7 that "these are printed with some omissions."

Though bound in the same volume, lectures 5 and 6 are paginated separately from lectures 7, 8, and 9. As both groups of lectures were originally paginated in Arabic numerals (the former group marked with lead pencil and the latter with ink), the editor thought it convenient to mark lectures 5 and 6 with Roman numerals so as to eliminate duplicate references.

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⁸ Senior's *Political Economy* (Lop³) is listed under Lop because its contents, in slightly revised form, are copied almost verbatim from Lo. Lop³, however, constitutes only about 50 per cent of the material included in Lo. The following analysis shows the arrangement of Lop³ as compared with Lo.

PAGES IN SENIOR'S "POLITICAL ECONOMY"
CORRESPONDING TO THOSE IN THE ORIGINAL MANUSCRIPTS

"POLITICAL ECONOMY"		MANUSCRIPTS	
<i>Pages</i>	<i>Symbol</i>	<i>Pages</i>	
1-5			
6-10	Lo ¹	81-104	
10 (last 2½ sentences)			
11-22	Lo ¹	105-120; 123-170; 292-93	
22-25 (abridged)	Lo ¹	335-354	
26-27 (top of page)	Lo ¹	61-63; 69-71	
27 (first paragraph)			
27-29	Lo ³	140-149	
29 (lower part)	Lo ³	151-153	
30-36	Lo ³	58-94	
36-37	Lo ³	50-58	
37-40	Lo ³	94-111	
40 (2d paragraph from bottom) to 42 (top)			
42 (middle paragraph)	Lo ³	111-113	
42 (last paragraph)			
43-44 (paraphrased)	Lo ³	113-114	
44 (middle)-45	Lo ³	120-124	
45 (middle)-46 (top)	Lo ³	115-120	
46-47			
47 (bottom)-49	Lo ³	125-136	
50			
51 (to middle of page)	Lo ²	4-5	
51-53 (middle)	Lo ²	15-25	
53 (3d paragraph)			
53 (bottom) to 58 (middle)	Lo ²	25-50	
58-59	Lo ²	57-58	
59 (middle) to 60 (middle)	Lo ²	60-65	
60-61 (top)	Lo ²	71-75	
61 (2d paragraph)			
61-67 (middle)	Lo ²	75-110	
67-74 (middle)	Lo ²	115-154	
74-77 (middle)	Lo ²	157-173	
77-86 (revised statistics)	Lo ²	185-234	
87	Lo ⁴	1-3	
87-88	Lo ⁴	7-10	
88 (middle paragraph, 1st sentence)	Lo ⁵	1 (first two sentences)	
88-95 (middle)	Lo ⁷	1-42	
95-97 (middle)	Lo ⁴	10-16	
97 (middle paragraph)			
97-110	Lo ⁴	21-92	
110 (last paragraph)			
111-114	Lo ⁴	93-114	
114 (last paragraph)			
115-116 (middle)	Lo ⁴	114-122	
116-118	Lo ⁴	130-142	
118 (last paragraph)			
119-123 (with slight variations)	Lo ²	234-257	
124-127			
128-129	Lo ⁷	49-54	
129 (middle paragraph)			
129-135	Lo ⁷	54-93	
136-139 (middle)	Lo ⁸	102-122	
139			
140-141 (middle)	Lo ⁷	43-49	
141-150 (middle)	Lo ⁸	IV-XXXIX	
150-151 (middle)			
151	Lo ⁸	XXXIX-XLIV	
151 (last paragraph)			
151 (last line)-153 (top)	Lo ⁸	XLIV-L	
153 (middle paragraph)			
153-161 (middle)	Lo ⁸	LII-C	
161 (middle paragraph)			
161 (last line) to 162 (middle)	Lo ⁸	C-CHH	
162-163 (bottom)	Lo ⁸	1-12	
163-164 (top)			
164-166 (middle)	Lo ⁸	13-28	
166-168 (middle)			
168-180 (middle)	Lo ⁸	28-102	
180 (last paragraph)			
181-183	Lo ⁸	122-133	
184-199	Lo ⁸	136-231	
200-216	Lo ⁷	94-202	
217-225			

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⁹ Unless stated otherwise, the MSS. listed under M are found in the collection of Senior's private papers which this editor obtained from the late Mr. J. St. Loe Strachey, formerly editor and publisher of the London *Spectator*.

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¹⁰ The Poor Law Report of 1834 is generally considered to be the joint product of Senior and Edwin Chadwick. The question as to the origin of the ideas contained in that Report does not fall within the scope of the present work. It may be of interest, however, to note here that the newly discovered documents relating to that subject (including some which are *not* listed in Appendix I) show clearly that Senior's contribution in the matter was really of greater scope than historians of English poor laws have hitherto been willing to concede.

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¹¹ In a letter to de Tocqueville, dated February 27, 1841, Senior writes: "I take advantage of the privilege of General Hamilton to send you a copy of a Report on Hand-loom Weavers, which I printed a few days ago, after having given to it the leisure of nearly two years" (see J¹, Vol. I, p. 21). The legal and historical aspects of RAP¹³ are reprinted in J², Vol. II, Chap. VII. As stated in Note 5 above, Ln³⁴ contains clippings (without quotation marks) from the purely economic parts of RAP¹³. Similar clippings are found in Ln⁵.

¹² In a letter to de Tocqueville, dated May 10, 1842, Senior writes: . . . "If M. de St. Aulaire is not alarmed at the size of the packet, I shall venture to accompany this note by four brochures of mine. Two are on our English Poor Laws. . . . The Remarks by a Guardian [RAP¹⁴] contain (p. 2) a passage not intended for French eyes, which I will beg you to consider as not sent to you." . . . (See J¹, Vol. I, p. 26.) The passage to which Senior refers, pointing out "the transitoriness of the lessons given to nations by experience" (compare RAP¹⁴, p. 70) is reprinted in J², Vol. I, pp. 91-93.

In reference to RAP¹⁴ T. Mackay states as follows:

"The pamphlet has been generally ascribed to Mr. Nassau Senior, and the author is informed by Mr. Murray [the publisher] that, though in the books of his firm the transaction stands in the name of Sir G. C. Lewis, at that date a Poor Law Commissioner, the copies were disposed of in fairly equal portions between Sir George Lewis and Mr. Senior. From internal evidence there is no doubt that some of the statements in it came from Mr. Senior" (see T. Mackay, *History of the English Poor Law*, London: P. S. King & Co., 1899, p. 25).

APPENDIX II

TEXT OF THIS WORK CORRESPONDING TO THAT OF THE ORIGINAL MSS., ETC., FOR WHICH SYMBOLS ARE GIVEN IN APPENDIX I

(Numbers within brackets refer to NOTES on this APPENDIX.)

PRESENT TEXT		ORIGINAL MSS., etc.		PRESENT TEXT		ORIGINAL MSS., etc.	
<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>	<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>
*1	3	RAP ¹⁶	182	*34	66	Lo ³	140-142
*2	3-5	Ln ¹⁻⁴	19-22	*35	66-68	Ln ⁵	4-13
*3	5-9	Ln ¹⁻⁴	22-29	*36	68-69	Ln ⁵	19-23
*4	9-10	Ln ¹⁻⁴	31-32	*37	69-72	Ln ⁷	31-40
*5	10	RAP ¹⁶	182	*38	72-77	Ln ⁵	24-35
*6 [1]	10-11	Ln ¹⁻⁴	33-35	*39	78-79	Ln ⁶	1-5
*7	12-13	Lo ¹	73-78	*40	79-81	Lr ⁶	5-12
*8	13	RAP ¹⁶	183	*41	81-83	Ln ⁵	13-19
*9	13-14	RAP ¹⁶	183-184	*42	83	J ⁹	240-242
*10	14-16	Ln ¹⁻⁴	57-61	*43	83-84	J ⁹	27-28
*11 [2]	17-19	A ⁷	301-304	*44	84-86	J ⁹	210-215
*12	20-21	A ⁷	294	*45	86-88	J ⁹	224-228
*13	21-23	Ln ¹⁻⁴	36-41	*46	88-89	Ln ⁶	12-15
*14 [3]	23-26	A ⁷	295-298	*47	89-90	J ⁸	I, 221-224
*15	26-27	A ⁷	304-305	*48 [9]	91	Lop ³	36
*16	27	Ln ¹⁻⁴	47	*49 [10]	91-92	Lop ³	11-12
*17 [4]	27-28	Ln ²⁹	7-8	*50 [11]	92-93	Lop ³	36-37
*18	28-32	Ln ¹⁻⁴	47-56	*51	93-94	Lo ¹	109-111
*19	32-36	Lo ¹	41-60	*52 [12]	94-97	Lop ³	38-40
*20	36-44	Ln ¹⁻⁴	3-17	*53 [13]	97-101	Lop ³	53-57
*21 [5]	45	Ln ¹⁰	1	*54	101	Lo ³	150-151
*22	45-46	Ln ¹⁰	42-49	*55	101-104	Lo ³	42-62
*23	46-53	Ln ¹⁰	1-40	*56	104-105	Lo ³	132-135
*24	53-54	Ln ¹⁰	40-42	*57	105	Lo ³	34-41
*25	54-57	Ln ¹⁰	49-69	*58	115	Ln ¹⁻⁴	67-68
*26	65	Ln ⁵	1	*59	115	Lo ¹	83
*27	65	Ln ²⁹	11	*60	115	Ln ¹⁻⁴	68
*28	65	Ln ⁵	1-2	*61	115-116	Lo ¹	86-90
*29 [6]	65	Ln ²⁹	12	*62	117-118	Ln ¹⁻⁴	68-70
*30	65	Ln ⁵	2	*63	118-119	Ln ¹⁻⁴	74-76
*31 [7]	65	Ln ²⁹	12	*64	119-121	Ln ¹⁻⁴	70-74
*32	65	Ln ⁵	2-3	*65	122-123	Ln ⁸	1-3
*33 [8]	66	Ln ²⁹	13	*66 [14]	123	Ln ²⁹	18-20

(Numbers within brackets refer to NOTES on this APPENDIX)

PRESENT TEXT		ORIGINAL MSS., etc.		PRESENT TEXT		ORIGINAL MSS., etc.	
<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>	<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>
*67	123-126	Ln ⁸	6-10	*112	186-187	Ln ¹⁴	30-33
*68 [15]	126	Ln ⁸	10-11	*113	187	Ln ²⁹	41-42
*69	126-127	Ln ⁸	11-13	*114	187-188	Ln ¹⁵	12-20
*70	127-129	Ln ⁸	13-16	*115	188-190	Ln ²⁹	44-54
*71 [16]	129-130	Ln ³⁰	2-5	*116	190-193	Ln ¹⁴	4-30
*72	130	Ln ¹⁸	2-3	*117	193-195	Ln ¹⁴	34-47
*73	130	Ln ³⁰	5-7	*118	195-196	Ln ¹⁶	2-12
*74	130-131	Ln ¹⁸	3-9	*119	197	Ln ¹⁷	47-48
*75	132-133	Ln ⁹	93-96	*120	197	Ln ³⁰	34-35
*76	133	Ln ²⁹	23	*121	197-199	Ln ¹⁷	49-55
*77	133-135	Ln ⁹	96-102	*122	199	Ln ¹⁸	9-10
*78 [17]	135-142	Ln ⁹	103-121	*123	199	Ln ³⁰	35-37
*79	142-143	Lo ²	4-15	*124	199-200	Ln ¹⁸	10
*80 [18]	143-145	Ln ⁸	3-6	*125	200	Ln ³⁰	37-40
*81	146-148	Ln ¹¹	1-14	*126	200-202	Ln ¹⁸	11-21
*82	148	Ln ¹¹	16-17	*127	202-207	Ln ¹⁸	21-43
*83 [19]	148-150	Ln ¹¹	17-35	*128	207	Ln ¹⁸	43-45
*84	157-160	Ln ¹¹	36-57	*129	207-208	Ln ³⁰	40-41
*85 [20]	160-162	Ln ¹¹	57-84	*130	208-209	Ln ¹⁸	45-50
*86	162-163	Ln ¹²	1-13	*131	209-210	Ln ³⁰	41-46
*87	163-165	Ln ¹²	14-28	*132	210	Ln ¹⁸	52-53
*88	165-166	Ln ¹²	28-36	*133	210-212	Ln ³⁰	46-56
*89	167	Ln ¹³	1	*134	212	Ln ¹⁸	53-54
*90	167-169	Ln ¹²	37-50	*135	212	A ⁷	330
*91	169-170	Ln ¹³	2-8	*136	212-213	Ln ¹⁸	54-57
*92	170-171	Ln ¹²	50-56	*137	214-216	Ln ¹⁶	1-15
*93	171-173	Ln ¹³	8-29	*138	216	Ln ³⁰	25-27
*94	174	Ln ¹¹	84-91	*139	216	Ln ¹⁷	34-35
*95	175	Ln ¹¹	95-97	*140	216	Ln ³⁰	27
*96	175	Ln ¹¹	92-95	*141	216	Ln ¹⁷	8-9
*97	175	Ln ¹¹	97-98	*142	216-217	Ln ¹⁷	45-47
*98	175-177	Ln ³⁰	7-18	*143	217-218	Ln ¹⁷	9-14
*99	177-178	Ln ²⁹	25-27	*144	218-219	Ln ¹⁷	26-29
*100	178	Ln ¹³	30-32	*145	219-221	Ln ¹⁷	14-22
*101	178	Ln ²⁹	28-29	*146	221	Ln ³⁰	30-33
*102	178-181	Ln ¹³	32-55	*147	221-222	Ln ¹⁷	36-38
*103	182	Ln ¹⁴	1-3	*148	222	Ln ¹⁷	43-45
*104	182	Ln ¹⁵	35	*149	222-223	Ln ¹⁷	38-42
*105	182-183	Ln ²⁹	30-34	*150	223-224	Ln ¹⁷	23-26
*106	183	Ln ¹⁵	36-37	*151	224-225	Ln ¹⁷	29-34
*107	183-184	Ln ¹⁵	24-35	*152	226-228	Ln ¹⁶	33-49
*108	184-185	Ln ¹⁵	37-39	*153	228	Ln ¹⁶	49-50
*109	185	Ln ²⁹	35-39	*154	228	Ln ³⁰	19
*110	185	Ln ²⁹	39-40	*155	228	Ln ³⁰	21
*111	185-186	Ln ¹⁵	45-52	*156	228	Ln ³⁰	22

(Numbers within brackets refer to NOTES on this APPENDIX)

PRESENT TEXT		ORIGINAL MSS., etc.		PRESENT TEXT		ORIGINAL MSS., etc.	
<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>	<i>Starred Refer- ence No.</i>	<i>Pages in Volume I</i>	<i>Symbol</i>	<i>Pages</i>
*157	228	Ln ¹⁶	51	*202	324	Ln ²⁵	2-5
*158	228	Ln ³⁰	19-20	*203 [31]	324-325	Ln ²⁵	6-11
*159	228-231	Ln ¹⁶	53-70	*204	326-330	Ln ²⁴	24-46
*160	231	Ln ³⁰	21	*205	330-331	Ln ²⁵	12-26
*161 [21]	231-232	Ln ¹⁶	70-79	*206	331-337	Ln ²⁵	26-43
*162	232	Ln ³⁰	22-23	*207 [32]	338-341	Ln ²⁶	1-28
*163	232	Ln ¹⁶	79-80	*208	341-345	Ln ²⁶	28-58
*164	232-233	Ln ¹⁷	1-7	*209	345-347	Ln ²⁶	58-77
*165	234-237	Ln ¹⁹	1-10	*210	347-348	Ln ²⁶	77-90
*166	237	Ln ¹⁹	10-12	*211	349-351	Ln ²⁸	1-19
*167 [22]	237	Ln ¹⁹	13-15	*212	351-354	Ln ²⁸	19-40
*168	237-238	Ln ¹⁹	16-18	*213	354-357	Ln ²⁸	40-59
*169	238	Ln ¹⁹	15-16	*214	358-361	Ln ³¹	40-56
*170	238-240	A ⁹	105-107	*215	361	Ln ³¹	56-60
*171	240-245	Ln ¹⁹	18-40	*216	361	Ln ³¹	60-61
*172	245-250	Ln ¹⁹	40-62	*217	361	Ln ²⁷	1
*173	250-254	Ln ²¹	1-19	*218	361-362	Ln ³¹	61-62
*174	254-262	Ln ²¹	20-61	*219	362-363	Ln ²⁷	2-11
*175	262-267	Ln ³¹	1-39	<i>Volume II</i>			
*176	285-287	Ln ²²	1-11	*220 [33]	3-4	Ln ³²	1-6
*177	287-291	Ln ²²	11-27	*221	4-5	Ln ³²	6-16
*178	291	Ln ²²	65-66	*222	5-6	Ln ³²	18-23
*179 [23]	291-293	Lo ³	115-131	*223	6-7	Ln ³²	16
*180	293	A ⁷	324	*224	7	Ln ³²	23
*181 [24]	293-294	Lo ³	131-136	*225	7	Ln ³²	17-18
*182	294-295	Lop ³	42	*226	7-8	Ln ³²	23-28
*183	296	Ln ²²	29	*227	8	Ln ³²	31-32
*184	296	Ln ²²	27-28	*228	8	Ln ³²	28-31
*185	296-298	Ln ²²	30-36	*229	8	Ln ³²	32-33
*186	298-301	Ln ²²	37-58	*230	9-10	Ln ³²	33-41
*187	301-303	Ln ²²	59-64	*231	10-12	Ln ³³	34-42
*188 [25]	304-306	Ln ²³	1-18	*232	12-14	Ln ³³	42-57
*189	306-308	Ln ²³	18-37	*233	14-16	Ln ³²	42-53
*190	308-309	Ln ²³	37-43	*234	17-18	Ln ³³	1-9
*191 [26]	309	J ⁴	I, 295	*235	18-22	Ln ³³	9-34
*192 [27]	309-310	J ⁴	I, 153	*236 [34]	22-23	Ln ³³	58-63
*193	310	J ⁴	I, 294-295	*237 [35]	39	Lo ⁵	5-7
*194	310-311	J ⁴	I, 154-155	*238	39-40	Lo ¹	171-173
*195	311	J ⁴	I, 295	*239	40	Lo ⁵	7-8
*196 [28]	311	Ln ²³	45-46	*240	40	Lo ¹	181-183
*197	311-312	J ⁴	I, 295-296	*241	40	Lo ⁵	9-11
*198	312-316	Ln ²³	46-81	*242	40-42	Lo ¹	185-190
*199 [29]	317-321	Ln ²⁴	1-24	*243	42	Lo ⁵	12-13
*200	321-323	Ln ²⁴	46-59	*244	42	Lo ¹	191
*201 [30]	323	Ln ²⁵	1-2	*245	42	Lo ⁵	14-15

(Numbers within brackets refer to NOTES on this APPENDIX)

PRESENT TEXT		ORIGINAL MSS., etc.		PRESENT TEXT		ORIGINAL MSS., etc.	
<i>Starred Refer- ence No.</i>	<i>Pages in Volume II</i>	<i>Symbol</i>	<i>Pages</i>	<i>Starred Refer- ence No.</i>	<i>Pages in Volume II</i>	<i>Symbol</i>	<i>Pages</i>
*246	42	Lo ¹	192	*291	133-134	Lo ⁶	193-196
*247 [36]	42-43	Lo ⁵	8-9	*292	145-148	Ln ²⁰	1-16
*248	43	Lo ¹	193-195	*293	148-151	Ln ²⁰	17-34
*249	43	Lo ⁵	16-17	*294	152-153	Ln ²⁰	34-43
*250	43-45	Lo ¹	195-207	*295	154-159	A ⁴	1-8
*251	45-49	Lo ¹	207-223	*296	159-161	Lop ¹	1-5
*252	49-50	Lo ¹	223-229	*297	161-162	Lop ¹	40-45
*253	50-51	A ⁶	319-320	*298	162-163	A ⁴	9
*254	51-54	A ⁶	323-326	*299	163	A ⁴	6
*255	55-58	Lo ¹	231-249	*300	163-164	Lop ¹	47-49
*256	58-61	Lo ¹	250-262	*301	164	Lop ¹	95
*257	61-62	A ⁶	332-334	*302	164-167	Lop ¹	49-62
*258	62-65	Lo ¹	262-277	*303	167-169	Lop ¹	68-71
*259	65-67	Lo ¹	282-290	*304 [42]	169-171	A ⁴	9-12
*260	67-72	Lop ¹	5-19	*305	171-173	A ⁴	15-16
*261	72-73	Lo ¹	277-282	*306	173-180	A ⁴	27-35
*262	73-78	Lop ¹	20-35	*307	181-186	A ⁴	37-42
*263 [37]	79	Lo ⁵	34	*308	186-188	A ⁴	12-15
*264	79	A ⁴	16	*309	188-197	A ¹	502-511
*265	79-80	Lo ⁶	34-41	*310	198-202	Ln ²⁷	11-31
*266 [38]	80-81	A ⁴	16-17	*311	202-205	Ln ²⁷	31-45
*267	81	Lo ⁶	42-45	*312	205	A ¹	549-550
*268 [39]	81-84	A ⁴	17-19	*313	205-208	A ¹⁰	3-7
*269	84	Lo ⁵	55	*314	208	A ¹	550
*270	84-85	A ⁴	19-20	*315	208	A ¹⁰	7
*271	85	Lo ⁶	60	*316	208-211	A ¹	550-553
*272	85	A ⁴	20	*317	212-217	A ¹⁰	7-18
*273	85	A ⁴	20	*318	227	A ⁷	319-320
*274	85-86	Lo ⁶	71-72	*319	227	Lo ⁷	49-50
*275	86-87	A ⁴	20-22	*320	227	Lo ⁷	59-61
*276 [40]	87	A ⁴	22	*321	228	Lo ⁷	51-54
*277	87-89	Lo ⁶	81-90	*322	228	Lo ⁷	33
*278	89-90	A ⁴	22-23	*323	228	Lo ⁷	27
*279	91	Lo ⁶	94-98	*324	228-229	Lo ⁷	33-35
*280	91-99	Lo ⁵	151-194	*325	229	Lo ⁷	28-33
*281	99-102	Lo ⁶	1-18	*326	229-230	A ⁷	320
*282 [41]	102	Lo ⁶	18-19	*327	230-231	Lo ⁸	xxii-xxxii
*283	102-106	A ⁴	23-27	*328	231-234	RAP ¹³	58-60
*284	106	Lo ⁶	72-73	*329	235-236	Ln ³⁴	1-4
*285	107-116	Lo ⁶	73-120	*330	236-237	Ln ³⁴	5
*286	116	Lo ⁶	121-123	*331	237-238	Ln ³⁴	6
*287	116-118	A ⁶	320-321	*332	238-240	Ln ³⁴	7-9
*288	118-124	A ⁶	335-342	*333	240	A ¹	517
*289	124-128	Lo ⁶	144-168	*334	240-241	Ln ³⁴	9
*290	128-133	Lo ⁶	168-193	*335	241-246	Ln ³⁴	10-24

(Numbers within brackets refer to NOTES on this APPENDIX)

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<i>Starred Refer- ence No.</i>	<i>Pages in Volume II</i>	<i>Symbol</i>	<i>Pages</i>	<i>Starred Refer- ence No.</i>	<i>Pages in Volume II</i>	<i>Symbol</i>	<i>Pages</i>
*336 [43]	247	RAP ¹³	38	*370	302-303	A ⁷	334
*337	247-248	Lo ⁷	96-105	*371 [48]	303	Ln ⁶	20-21
*338	249	RAP ¹³	2	*372	303-305	Ln ⁶	21-28
*339	249	RAP ¹³	22	*373	305-308	Ln ⁷	7-14
*340	249-251	RAP ¹³	44-45	*374	308-311	Ln ⁷	14-26
*341	251	RAP ¹³	120	*375	312-313	Ln ⁷	1-7
*342	252-253	A ⁷	321	*376	313-314	RAP ¹⁴	3-4
*343	253	A ⁷	320	*377	314	M ⁴	7-8
*344	253-254	A ⁷	321-322	*378	314	RAP ¹⁴	4-5
*345	254	Lo ⁸	68-69	*379 [49]	314-315	J ⁴	I, 188-189
*346 [44]	254-255	M ⁴	3-4	*380	316-317	J ⁴	I, 198-201
*347	255	Lo ⁸	69-71	*381	317-326	A ²	2-23
*348	255-256	RAP ¹³	63	*382 [50]	326-327	J ⁴	I, 204-206
*349	256-260	A ³	197-201	*383	328-329	Ln ⁶	29-31
*350	261	M ⁸	1-2	*384	329-332	RAP ²⁰	3-9
*351	262	Lo ⁸	98-99	*385	332	RAP ²⁰	38-39
*352	262	A ⁷	322-323	*386	332-333	RAP ²⁰	9-12
*353	263-265	Lo ⁸	111-127	*387	333	RAP ¹⁸	3
*354	265-266	A ⁷	323-324	*388 [51]	333-334	RAP ¹⁷	3
*355	266-267	Lo ⁸	127-136	*389	334	RAP ¹⁸	3
*356	267-268	A ⁷	323	*390	334-335	RAP ¹⁷	3-4
*357	268	Lo ⁸	136-139	*391	335	RAP ¹⁸	3-4
*358 [45]	268-272	A ³	210-215	*392	335	RAP ¹⁷	4
*359	283	A ⁸	230	*393	335-336	RAP ¹⁸	4-5
*360	283-287	Ln ³⁵	51-65	*394 [52]	336-337	RAP ¹⁷	7-9
*361	287-291	Ln ³⁵	65-83	*395	337-339	RAP ¹⁸	6-8
*362	291-292	A ⁸	233	*396	339	RAP ²⁰	14
*363	292-293	A ⁸	238	*397	339-340	RAP ¹⁸	30-33
*364 [46]	293-294	J ⁶	I, 151-153	*398	340-343	Ln ⁶	32-45
*365	294-295	A ⁸	232	*399	343-347	RAP ²⁰	21-27
*366	295-296	A ⁸	236-239	*400	347	RAP ¹⁸	212
*367 [47]	296-300	A ⁸	271-276	*401	347-353	RAP ²⁰	27-37
*368	301-302	A ⁷	330	*402	353-354	Ln ⁷	27-31
*369	302	Ln ⁶	17-20				

NOTES ON APPENDIX II

(See bracketed numbers in Appendix II)

1. This passage, taken from Ln¹⁻⁴, 33-35, has been carefully compared with similar statements given in RAP¹⁶, 182-183; A⁷, 298-300; and the summary of it presented in Ln²⁹, 2-4.

2. As this passage is extracted from an anonymous article, A⁷, 301-304, the editor has substituted the personal pronouns "I," "me," and "my" for "we," "us," and "our" given in the original text, so as to conform with the author's usual procedure in such cases. (See, for example, Appendix I, note 5.) A similar statement is given in Ln¹⁻⁴, 62-67.

3. When writing this passage (A⁷, 295-298), Senior had before him a parallel statement contained in Ln¹⁻⁴, 41-46.

4. In case a given statement is found in two or more sources, but with somewhat modified phraseology, the editor has endeavored to select for the text, the latest and most precise expression of the author's views. The passage taken from Ln²⁹, 7-8, illustrates this point. It is clearer than the earlier statement given in Ln¹⁻⁴, 47, which reads as follows:

"The possession of wealth is the great object of human desire, its production is the great purpose of human exertion. The modes and the degree in which it is distributed, accumulated, and consumed, occasion the principal differences between nations. The philosopher who could teach such an art, would stand at the head of the benefactors of mankind." (Compare note 8 below.)

5. When the author was about to take up his exhaustive analysis of the constituent elements entering into the concept of *capital*, he evidently felt the need for some preliminary remarks on definitions, etc., and so he wrote Ln¹⁰ (dated February 14, 1848). Since these remarks, however, are also applicable to the various classifications and terms used in the text preceding the discussion of capital, the editor thought it appropriate to put Ln¹⁰ in the introductory part of the treatise.

6. This sentence, taken from Ln²⁹, 12, may be compared with the following statement of the same idea contained in Ln⁵, 2: "The nature and the urgency of each individual's wants are as various as the differences in individual character."

7. Compare this sentence, taken from Ln²⁹, 12, with the corresponding one given in Ln⁵, 2, viz.: "Money seems to be the only object for which the desire is universal, and it is so because money is abstract wealth."

8. It took the author nearly 25 years to develop this idea in its present form. (a) The earliest expression of that thought is contained in Lo³, 140: "An equal diversity exists in the amount and the kind of the sacrifices which different individuals will encounter in the pursuit of wealth." (b) This sentence is modified, in Ln⁵, 3, by the addition of a qualifying clause after the word "individuals," viz., "or even the same individuals under different circumstances," etc. (c) Our text, it will be noted, which is taken from Ln²⁹, 13, qualifies the clause given in (b) by inserting before the word "under" the

phrase, "at different ages or," and by the words, "make to obtain" instead of "encounter in the pursuit of," etc. (Compare note 4 above.)

9, 10, 11, 12, and 13. These passages, taken from Lop³, 36, 11-12, 36-37, 38-40, and 53-57, respectively, have been carefully compared with similar statements contained in Lo³, 50-52; Lo¹, 105-109; Lo³, 52-58; Lo³, 97-112; and Lo², 25-45, respectively.

14. This passage (Ln²⁹, 18-20) is a revised form of the first paragraph in Ln⁸, 3, with additions.

15. This paragraph (Ln⁸, 10-11) has been compared with a similar statement in Ln²⁹, 22.

16. This passage (Ln³⁰, 2-5) has been compared with earlier and briefer statements given in Ln¹⁶, 3 and Ln¹⁸, 1.

17. Section 2 of this chapter, taken from Ln⁹, 103-121, has been copied by Senior, with slight changes, from Lo¹, 293-333. The passage has also been compared with A⁷, 308-309.

18. This passage (Ln⁸, 3-6) is substantially identical with Lo², 15-24 and Lop⁸, 51-53.

19. This statement (Ln¹¹, 17-35) has been compared with the ideas presented in A⁷, 305-308.

20. The third paragraph of this passage begins in the original MS. (Ln¹¹, 59) as follows: "Though more than 70 years have now passed since Adam Smith," etc. This statement is correct as the *Wealth of Nations* was published in 1776 and Ln¹¹ was written in 1848, making a difference of 72 years between those two dates.

As the figure 70 was later changed to 90 it might appear that the MS. was written after 1866, or more than two years after the author's demise! I have therefore taken the liberty of inserting in brackets "almost a century" instead of the original expression.

21. The first paragraph of this passage, taken from Ln¹⁶, 70-75, is a revision of a similar statement contained in Lo², 170-173. In trying to bring the matter up to date, the author juggled with a lot of figures which he himself, apparently, regarded as far-fetched. The editor has, therefore, deemed it advisable to condense the passage by inserting in brackets the words "This importation is effected by," etc. The omitted portion, however, is herewith reproduced together with all the changes. The letters "c. o." in brackets signify that the figure or word which they follow is "crossed out."

"We annually import into this country about 30 [c. o.] 50 [c. o.] 75 [c. o.] 90 million pounds of tea. The whole expense of purchasing and importing this quantity does not exceed £2,250,000 [c. o.] £3,150,000 [c. o.] or about 1s. 6d. a pound—a sum equal to the value of the labor of only 45,000 [c. o.] 73,000 [c. o.] 90 million of men [c. o.] families, supposing their annual wages to amount to £50 [c. o.] £90 a year. With our agricultural skill, and our coal mines, and at the expense of about 40 [c. o.] 90s. a pound instead of 1s. 6d., that is, at the cost of the labor of about 1,200,000 [c. o.] 2,000,000 [c. o.] 180 million of men [c. o.] families instead of 45,000 [c. o.] 73,000, we might produce our own tea and enjoy the pride of being independent of China. But 1,200,000 [c. o.] 2,000,000 men [c. o.] families is nearly double the number of all the men [c. o.] families engaged in agricultural labor throughout England. A single

trade—and that not an extensive one—supplies as much tea.” . . . See the rest in the text (Vol. I, p. 231).

22. The arrangement of the last sentence of this passage has been somewhat changed for editorial purposes. The original order of that sentence, taken from Ln¹⁹, 15, is as follows: “Their object—and it was not only a natural but a laudable one—was to secure the title to landed property and to increase its value.” The change referred to above, which necessitated a corresponding rearrangement of the next two paragraphs, was for the purpose of inserting in logical sequence the long passage from A⁹ (see starred reference number 170).

23. This passage (Lo³, 115–131) has been compared with a similar statement in Lop³, 44–46.

24. This passage (Lo³, 131–136) has been compared with the corresponding statement in Lop³, 47–49.

25. The first two paragraphs of this passage taken from Ln²³, 1–5, is a digest of a missing lecture. This hiatus has been adjusted by the bracketed portions of our text. In order to afford the reader the means of judging the effectiveness of the editor’s use of square brackets, the text of the original MS. is herewith reproduced. The parts represented by dots are included in our text.

“In the last lecture I considered the preventive . . . property in land. I shewed that by means of unwise legislation rights over the soil may be so exercised as to render useless the bounty of nature and convert fertility into barrenness. And I also shewed that under an opposite system . . . thinned by famine. And I remarked that this is a state of things . . . landlord’s powers. The subject which I treated in the last lecture hypothetically I shall consider in the present lecture positively.” . . .

26. This passage (J⁴, I, 295) and those given under starred reference numbers 193, 195, and 197 were written in September, 1852.

27. This passage (J⁴, I, 153) and those given under starred reference numbers 194 and 196 were written in September, 1846.

28. This passage (Ln²³, 45–46) is evidently copied from J⁴, I, 155. The text relative to the duties of landlords included in starred reference numbers 191 to 195, and 197 is an elaboration of the laconic passage contained in Ln²³, 43–45. The latter statement is as follows:

“And if the institutions or the habits of a country should deprive them of the power to perform this duty, if they are deprived of the means to proportion the number of their tenants to the demand for their services, nothing will prevent that country from becoming a warren of Yahoos, populating to the greatest numbers for which the soil will afford the coarsest food, subdividing the land until each human being squats on the smallest fraction by which life can be sustained, living miserably in ordinary years and swept away by famine and fever in times of scarcity.”

29. In regard to the last paragraph of this passage taken from Ln²⁴, 23–24, there is reproduced herewith the original text corresponding to that part of our text which is inclosed in brackets.

“Having given this sketch of the errors to which estimates of average longevity are subject I shall during the remainder of this lecture treat as substantially correct those which I employ, begging you always to bear in mind.” . . .

30. The tabulation (Vol. I, p. 324) is based upon the data subdivided in the original MS. on four pages (Ln²⁵, 5, 6, 8, and 9). The author quotes Chadwick's statement (see starred reference number 202) and then states: "I will begin by some of the Metropolitan Unions." The original arrangement of the figures for those unions is as follows:

	<i>Number Observed</i>	<i>Class</i>	<i>Average Age of Deceased</i>
Kensington	331	Gentry	44
Union	348	Tradesmen	29
	1,248	Laborers	26
Strand	86	Gentry	43
Union	221	Tradesmen	33
	674	Laborers	24

Similar figures for Whitechapel and Bethnal Green are presented on p. 6 of Ln²⁵. The data for the rural districts are presented in Ln²⁵, 8; and those for Manchester, Boston, Liverpool, and Leeds are given in Ln²⁵, 9.

31. The author's comments on the figures referred to in the previous note are broken up, as follows. After giving the data for the London Unions, Senior states: "It will be observed that in those 4 unions the average age . . . still greater." (See first paragraph under starred reference number 203 of our text.) "We will now" (he continues) "compare these town populations with rural districts." The figures on these districts are then presented. "In these instances the country population. . . . But London as a town is healthy as will be seen if we compare it with Manchester, Boston, Leeds and Liverpool." (See second paragraph under starred reference number 203 of our text.) After giving the figures for Manchester, Boston, etc., the author continues his comments which are included in our text.

32. The table (Vol. I, p. 339) of our text is based on Ln²⁶, 11, which is *not* presented in tabular form.

33. After recapitulating the lectures of the first three courses, including those on population, Senior remarks (Ln³¹, 62-63):

"Having thus concluded the great subject of production I shall treat, during the remainder of this" [later changed to "in the next"] "course, that of Exchange."

Ln³² begins with the statement, "I now come to the second of the two great branches of the science of political economy, namely to the laws which regulate exchange." See first paragraph of text, starred reference number 220.

34. With respect to the last sentence of starred reference number 236 see Appendix I, notes 3 and 4.

35. This passage (starred reference 237) is taken from Lo⁵, 5-7. The last sentence is taken partly from Lo⁵ and partly from Lo¹ (starred reference 238). The sentence is split up in that way in order to present the author's views on the subject as fully as possible and yet exclude tautologous expressions. The whole sentence in Lo⁵ reads as follows:

"And though the intrinsic causes of value are comparatively few, permanent, and capable of investigation, still to ascertain the reciprocal values of any two commodities may often be a very difficult attempt." Then the author goes on

to say "But this is not the only obstacle," etc. (see starred reference 239). Notice the above sentence simply states that the attempt may often be very difficult, but it does not explain the nature of that difficulty.

On the other hand, Lo¹ does not contain the introductory remarks given in starred reference 237. The author begins his theory of money as follows:

"As the intrinsic causes of the value of a commodity are those which give it utility and limit its supply, it may be supposed," etc. (see starred reference 238). The difficulty referred to above is here explained.

To explain the reason for these duplications, it must be noted that Lo⁵ contains a recapitulation of previous lectures in addition to new matter. In resuming his discussion of money, Senior makes the following observations:

"One of the principal difficulties in the science of political economy arises from the mutual dependence of the propositions of which it is formed—a dependence which renders it impossible fully to understand any one without a general acquaintance with the others. The consequence is that it is impossible, or, at least, has been found by me impossible, to subject the science to any arrangement free from objections. The plan which I have adopted has been to take seriatim those topics which appeared to me most important, and to pursue each separately only until I found that any further exposition would involve the use of words and the assumption of facts not previously explained. This has given to my lectures what in painting would be called a 'spotted' appearance, and has filled them with references and recapitulations not easily followed by those who do not recollect the previous statements, and often I fear tedious to those who do. My only excuse is that I have not been able to contrive any better arrangement.

"I feel myself peculiarly called on for this apology at present, as I am going to resume a subject which I have already partially considered. I mean money. Some acquaintance with the nature of money is necessary before the prejudices can be removed and the ambiguities pointed out which at first obscure and confuse the mind of almost every student. And at the same time a perfect acquaintance with it would imply not merely a knowledge of all that is now known in political economy, but of all that can be hoped to be known. I was forced therefore to treat of money at some length even in the first and most elementary course of these lectures, that in which I endeavored to explain the nature of wealth." (Lo⁵, 1-4.)

The following remark will give the reader an idea of the character of the author's recapitulations.

"I have troubled you with this recapitulation of my former explanation of the origin and functions of money, because it is a subject on which it is difficult to obtain clear notions, and false or indistinct ones lead to inextricable confusion. It does not appear to me necessary to repeat at so much length my subsequent remarks on money." (Lo⁵, 17-18.)

36. It will be noted that starred reference numbers 246 and 247 are intimately related, though they are taken from two different sources. Starred reference 246 is taken from Lo¹, 192. The rest of the paragraph, as given in that manuscript, is as follows: "In that numerous class of contracts, for instance, to which we give the names of letting and hiring, the hirer is admitted to immediate possession on a promise of making future compensation. If it were possible that all things should remain unaltered in value during the in-

terval such a contract would be as easily adjusted as any bargain capable of immediate completion. But we have seen that this is not possible." Compare now this abstract statement with the concrete illustration given in the text (starred reference 247). Notice also that our text is more precise: it says "the hirer or lessee."

37. The rest of the sentence in Lo⁵, 34 reads: "that the value of money depends partly on its quantity, and partly on the rapidity of its circulation." It will be noted that our text (starred reference 264), which is taken from a later source (A⁴, 16), gives a fuller expression of the author's idea.

38. The passage in Lo⁵ immediately following that presented in starred reference 265 is as follows:

"Unless it be maintained that the attributes of gold and silver are changed the instant they are divided in portions of a given weight and fineness, and authenticated by a stamp, it must be admitted that their value is governed by the same rules as those which govern the value of all other commodities produced under similar circumstances." It will be observed that the text of starred reference 266 (taken from A⁴, 16-17) is a fuller and clearer expression of the idea contained in the above quotation.

39. This passage, taken from A⁴, 17-19, is in fact a copy of a similar statement contained in Lo⁵, pp. 62-66, and pp. 46-55. The former source differs from the latter only in arrangement and in slight variations of expression. The same remark holds good with respect to the other parts of this chapter taken from A⁴. I have inserted, however, certain passages from Lo⁵ which the author probably did not have space enough to include in A⁴ (see starred references 265, 267, 269, 271, 274, and 277).

40. This passage (starred reference 276), taken from A⁴, 22, is a slight revision of a similar statement contained in Lo⁵, 81, which reads as follows:

"Similar consequences would follow from any causes which should increase or diminish either the use of money in exchange or the rapidity of its circulation." However, the detailed explanation of this generalization given in our text (starred reference 277) is not contained in A⁴—obviously for lack of space.

41. This passage (starred reference 282), taken from Lo⁵, 18-19, is immediately followed in that manuscript by a discussion on the variation of money wages in different countries—a subject which the author has treated in a completely revised form in Part IX, Chapters II and III (see particularly the introductory remarks in Chapter II, section 1); and also in Part VIII, Chapter I. Compare the second sentence of this passage with the first sentence of Part IX, Chapter II, section 1. That sentence in Lo⁵ reads this way: "But a more interesting *and I am glad to say a less intricate* question still remains," etc. The words which are italicized I have omitted from the text because in Part IX, Chapter II, section 1, the author refers to that question as "*scarcely less intricate*."

42. This passage (starred reference 304) is taken from A⁴, the author's critique of Colonel Torrens's pamphlet called *the Budget*. After making some preliminary remarks, which are given in starred reference 295, Senior continued as follows:

"We have no doubt that if *the Budget* were to remain unanswered, it would be proclaimed in all the strongholds of monopoly to which British literature

penetrates—in Parliament, in Congress, in the *Allgemeine Zeitung*, and in the Councils of the Zollverein—that Adam Smith and the modern economists have been refuted by Colonel Torrens; that free trade is good only where reciprocity is perfect; that a nation can augment its wealth by restraining a trade that was previously free; can protect itself against such conduct on the part of its neighbors only by retaliation; and, if it neglect this retaliatory policy, that it will be punished for its liberality by a progressive decrease of prices, of wages, and of profits, and an increase of taxation. We will state these startling propositions in Colonel Torrens's own words," etc. (see our text for the rest).

43. See Appendix I, note 5.

44. This passage from M⁴, 3-4 is nearly identical with Lo³, 72-73, except that the comparison between the Sicilian and Norwegian peoples given in M⁴ is not found in Lo³. The author's analysis of the Irish situation which is the subject matter of M⁴ commences with "an outline of the principal causes on which the prosperity of the laboring classes depends."

"Such an outline," Senior admits, "may appear abstract and scholastic, but it is better to incur the imputation of pedantry for propounding abstract principles than the more serious charge of agitating a great practical question without reference to any fixed principles at all."

"I believe it is generally admitted that the prosperity of the laboring classes depends principally on the extent of the fund for the maintenance of laborers, compared with the number of laborers to be maintained. And I believe that it is also admitted that the extent of that fund depends principally on the efficiency of labor in producing the commodities which the laborers consume.

"On what then does that efficiency depend? Partly on physical and partly on moral causes. The physical causes comprise the assistance afforded to man by brute or inanimate nature, and vary with all the varieties of soil, situation, climate and extent in proportion to population. To some countries nature has refused . . . worked up. [See our text, starred reference 346.]

"The first of these means is *industry*. An indolent population might starve in the midst of all the sources of abundance.

"The second is forethought or providence: the habit of deferring enjoyment, either by abstaining from the immediate use of the means of enjoyment when they are before us, or by directing labor to the production of remote instead of immediate results. It is on this habit that the existence of capital depends. Capital being the general name for all those articles of wealth which are not immediately and unproductively consumed by their producers, but are produced or preserved as the means of subsequent production or enjoyment. It is to capital that we owe the use of implements and the division of labor, of all the aids to industry the most efficient. Without their assistance man would be an animal less capable of obtaining enjoyment or even subsistence than the brutes of the field.

"But there are purposes besides the creation and the preservation of capital to which providence or forethought must be applied. The most industrious and frugal people confined within a given district and allowing their numbers to increase according to the uncontrolled impulses of nature, must within a limited period find them increase to an extent at first inconsistent with the existence of private property, and very soon afterwards inconsistent with com-

fortable or even secure subsistence. How soon that period would arise must depend on the fertility and the extent of that district compared with the number of its original inhabitants. But that sooner or later it must arrive will be conceded by all who do not believe with Mr. Sadler in a constant intervention of the Deity diminishing procreation in an inverse ratio to the numbers assembled within a given area." (M⁴, 3-5).

45. This passage (starred reference 358) is contained in A³, which describes the various shortcomings of Sir Robert Peel's budget of 1842. "When we consider," the author observes, "Sir Robert Peel's Corn Law and Cattle Law as one measure, and add to them his proposed exemption from income tax, of tenants under £300 a year, and the consequent temptation to subdivide farms and waste capital, we doubt whether any other modern statesman has devised a system so mischievous to the agriculture of the country." Then he continues—

"We do not mean to express any fixed abhorrence to an income tax, or to affirm even that it ought to be confined to a period of serious European war. If a real reform of the tariff were proposed to us—a reform which should not leave out or mismanage such commodities as butter, cheese, hops, sugar, coffee, and corn—a reform which should prefer the interests of millions to those of thousands—and if it were found that such a reform would produce a temporary loss of revenue—for such a reform, we should be ready to pay the price, the heavy, but not the extravagant price, of a temporary income tax.

"But the tax to which, for such a purpose, we would submit, would be a very different one from that which is now proposed.

"In the first place, it would include all who could be held able to pay it. Every tax, to be just, must" . . . [see text for the rest].

46. This passage (starred reference 364), taken from the author's journals which he kept in Paris, is dated May 20, 1849. Senior and Beaumont had an argument on the weighty question of war and preparedness.

"As we passed through the fortifications, he [Beaumont] pointed to them as a gigantic monument of national folly. I defended them. I said that Paris, with such fortifications, and with 250,000 men armed and, unhappily, practiced in war, both foreign and civil, is impregnable; and that its extent is too great to be invested and starved. . . .

"At the Barrière de Passy we fell into the crowd returning from the review. This led us to talk of the army, and we all agreed that one of the most dangerous innovations of the Provisional Government was the giving votes to the soldiers. *Socialism*—that is to say, the belief that the inequality of conditions is remediable—is natural to all the uneducated. Much reflection and the power of following and retaining a long train of reasoning are necessary to enable men thoroughly to master the premises which prove that, though it is in the power of human institutions to make everybody poor, they cannot make everybody rich; that they can diffuse misery, but not happiness. Among philosophers this is a conviction," etc. (see text for the rest).

47. The first sentence of starred reference 367 is somewhat rearranged for editorial purposes. "We do not believe," Senior observed, "that any organic changes whatever are worth the evils and the risks of an insurrectionary revolution—at least to the generation that makes it. But, if there were any motive that could induce us to encounter those evils and to incur those risks, it would

be the prospect of *escaping from* M. de Lamartine's favorite institutions—universal suffrage in politics, and the voluntary system in religion." . . .

After considering at length those subjects, which do not fall within the scope of the present work, Senior took up the matter of *ateliers nationaux*. "The 19th and 30th decrees—the universal guarantee of employment by the former, and the creation of *ateliers nationaux* by the latter—were less palpably absurd, but more extensively, and, we fear, more permanently, mischievous. The engagement to secure employment to all citizens," etc. (see text for the remainder).

48. Starred reference 371, it will be observed, introduces a subject related to Part II, Chapter II. In Ln⁶, p. 1 the author stated: "In the present and the following lecture I shall consider how far it is in the power of the government of a country to alter the degree in which wealth is desirable. It may do this in two different, indeed nearly opposite, ways, either by diminishing the positive advantages of wealth, or by diminishing the positive disadvantages of poverty. The first of course is very easy," etc. (see starred reference 39).

After considering the first method by which the pursuit of wealth can be affected by government interference, Senior states (Ln⁶, p. 16): "I now come to the other mode by which a government can alter the degree in which wealth is desirable, namely by diminishing the positive disadvantages of poverty. This is an attempt so liable to fail, indeed to do worse than merely to fail, so liable to produce results precisely the reverse of those intended by the legislator, so liable to aggravate the evils which he proposes to remedy, and to introduce others which could not have arisen without his intervention, that many political writers have affirmed that it ought never to be made. [Cf. second paragraph of starred reference 368, which contains a similar statement.] They have declared that the business of a government is simply to afford protection: to repel or to punish internal or external violence or fraud, and that to do more is usurpation. This proposition I cannot admit. The only rational foundation of government," etc. (for the rest of this passage, see starred reference 369).

Having given his justification for government interference, Senior goes on to say, "I now proceed to consider some of the cases in which governments have interfered for the purpose of palliating some of the evils of poverty" (see text, starred reference 371).

The reader will, of course, bear in mind that Part II, Chapter II and Part X include a lot of materials related to the subjects under consideration, most of which were not available at the time when Ln⁶ was composed.

49. The passages contained in starred references 379 and 380 were written in the fall of 1846.

50. This passage (starred reference 382) was written in the fall of 1846.

51. Starred reference 388 is one of the propositions contained in Goldwin Smith's paper on State Education dated January 10, 1860, which was printed and circulated only among the members of the Education Commission "in strict confidence." Senior read that paper "with the attention due to all his [Smith's] opinions, but without the slightest approach to conviction."

52. With reference to the bracketed sentence at the beginning of starred reference 394, this is what Goldwin Smith stated (p. 3 of paper referred to in previous note):

"Which is right, the practical instinct of the poor man which leads him to decline a high education for children destined to manual labor, or the benevolence of the philanthropist who would bribe or force him to accept it? At least let the philanthropist bribe first with his own money and on a moderate scale. If his experiment succeeds, and he produces better and happier laborers, it will be time to apply the plan on a large scale, and with the money of the public.

"As to the material well-being of the people, it depends upon their wages. And higher education will not command higher wages, unless there is a greater demand for educated labor; while, if there is a demand for educated labor, higher education will spontaneously ensue."

APPENDIX III

LIST OF SOURCES QUOTED BY SENIOR

(Exclusive of Government Reports to which References are Given in this Work)

Edition Used by SENIOR.—In so far as it has been possible to determine which edition Senior used, in each case, the editor has so indicated it. The expression, (ed.?), following the title of a book, means that no accurate information is available in regard to the edition quoted by Senior.

- ARISTOTLE. *Logic* (Greek original, ed.?).
Nicomachean Ethics (Greek original, ed.?).
Politics (Greek original, ed.?).
- BANFIELD, THOMAS C. *Four Lectures on the Organization of Industry*—delivered in the University of Cambridge in Easter Term, 1844, London, 1845. 2d edition, 1848 (ed.?).
Six Letters to Sir R. Peel, being an attempt to expose the dangerous tendency of the theory of rent advocated by Mr. Ricardo (ed.?).
- BARRINGTON, DAINES. *Observations on the More Ancient Statutes*, from Magna Charta to the twenty-first of James I, cap. 27 (British Museum catalogue mentions the 4th edition, London, 1775; but Senior speaks of Barrington as writing in 1796).
- BLANC, JEAN JOSEPH LOUIS. *Organisation du Travail*. 5th edition, Paris, 1848.
- BURN, RICHARD. *The History of the Poor Laws*. London, 1764.
- BUXTON, SIR THOMAS FOWELL. *The African Slave Trade and Its Remedy*. London, 1839.
- CAREY, HENRY CHARLES. *Political Economy*, 3 vols. Philadelphia, 1837–1840.
The Past, the Present, and the Future, London, 1848.
- CHEVALIER, MICHEL. *Lettres sur l'Amérique du Nord*. Bruxelles, 1827; another edition, Paris, 1836 (ed.?).
- COOPER, THOMAS. *Public Wealth* (ed.?).
- DEMOSTHENES. *Philippicæ* (Greek original, ed.?).
- DOUBLEDAY, THOMAS. *The True Law of Population Shown to be Connected with the Food of the People*. London, 1842.
- DROZ, F. X. J. *Économie Politique*, 1829.
- DUTENS, JOSEPH MICHEL. *Philosophie de l'Économie Politique*. Paris, 1835.
- FAUCHER, LÉON. *Recherches sur l'Or et sur l'Argent*. Paris, 1843.
- FLOREZ-ESTRADA, ALVARO. *Cours Éclectique d'Économie Politique*. Galibert's French translation of the Spanish original. Paris, 1833.
- GANIHL, CHARLES. *Des Systèmes d'Économie Politique*. Senior probably used the 2d edition, Paris, 1821.

- GEE, JOSHUA. *The Trade and Navigation of Great Britain*. 1st ed., 1729; 7th ed., 1767 (ed.?).
- GOETHE, JOHANN WOLFGANG VON. *Wilhelm Meisters Lehrjahre* (ed.?). 1st edition, Berlin, 1795. Senior may have used Thomas Carlyle's English translation, ed. of 1824 or of 1842, or Boylan's translation, 1846.
- HAMILTON, ROBERT. *The Progress of Society*. London, 1830.
- HENRY, ROBERT. *History of Great Britain* (ed.?), 1st ed., 6 vols. London, 1771-1793; 6th ed., 12 vols. London, 1823.
- HERMANN, F. B. W. VON. *Staatswirthschaftliche Untersuchungen über Vermögen, Wirthschaft, . . . Einkommen und Verbrauch*. München, 1832. Review of N. W. Senior's *Political Economy*, 1836 (see *Gelehrte Anzeigen* of München, Numbers 155-161).
- HUMBOLDT, F. H. ALEXANDER VON (Baron). *Essai Politique sur le Royaume de la Nouvelle Espagne*. Paris, 1811. English translation by John Black, *Political Essay on the Kingdom of New Spain*. 4 vols. London, 1811 (ed.?).
- ICHUDI. *Travels in Peru* (Mrs. Ross's translation) (date?).
- IVERNOIS, SIR FRANCIS D'. *Sur la Mortalité Proportionnelle de quelques Populations considérée comme mesure de leur aisance et civilisation*. Genève, 1832.
- JACOB, WILLIAM. *An Historical Inquiry into the Production and Consumption of the Precious Metals*. 2 vols. London, 1831.
- KENT, JAMES. *Commentaries on American Law*. 4 vols. (ed.?). 1st ed., New York, 1826-1830; 5th ed., New York, 1844.
- KING, PETER (7th Baron King). *Thoughts on the Restrictions of Payments in Specie at the Banks of England and Ireland*. London, 1803.
 "A Selection from the Speeches and Writings of Lord King; with a short introductory memoir" by Earl Fortescue, London, 1844.
- KNIGHT, CHARLES. *The Struggles of a Book Against Excessive Taxation* (ed.?). 2d edition, London, 1850 (?).
- LAMARTINE DE PRAT, M. L. A. DE. *Histoire de la Révolution de 1848*. 2 tom. Paris, 1849.
- LAUDERDALE, LORD. (See Maitland.)
- MACGREGOR, JOHN. *Commercial Tariffs* (ed.?).
- MACKINNON, L. B. (Captain). *Steam Warfare in the Paraná*. A narrative of operations by the combined squadrons of England and France. 2 vols. London, 1848.
- MCCULLOCH, JOHN RAMSAY. *Principles of Political Economy*. 1st ed., Edinburgh, 1825; 2d ed., London, 1830; 3d ed., 1843; 4th ed., 1849 (in 1st series of lectures Senior used 1st ed.; in second series of lectures he probably used the 2d or 3d ed.).
A Dictionary of . . . Commerce and Commercial Legislation (ed.?), 1st ed., London, 1832-1839; 2d ed., 1834-1840.
- MAITLAND, JAMES (8th Earl of Lauderdale). *An Inquiry into the Origin of Public Wealth and into the Means and Causes of Its Increase* (ed.?), 1st ed., Edinburgh, 1804; 2d ed., greatly enlarged, Edinburgh, 1819.
- MALTHUS, THOMAS ROBERT. *An Essay on the Principle of Population*. Editions: (1) 1798; (2) 1803; (3) 1806; (4) 1817; (5) 1817; (6) 1826; (Senior must have had all of them).
A Summary View of the Principle of Population. London, 1830.

- Principles of Political Economy.* London, 1820.
Definitions in Political Economy. London, 1827.
- MARCET, MRS. JANE. *Conversations on Political Economy* (ed.?). 1st ed., London, 1816; 5th ed., 1824.
- MILL, JAMES. *Elements of Political Economy*, 3d edition, London, 1826.
- MILL, JOHN STUART. *Essays on Some Unsettled Questions of Political Economy.* London, 1844.
Principles of Political Economy. 2 vols. London, 1848.
A System of Logic. 2 vols. London, 1843.
- MUSHET, ROBERT. *An Inquiry into the Effects Produced on the National Currency and Rates of Exchange, by the Bank Restriction Bill.* 3d edition, London, 1811 (ed.?).
- PYM. *The Condition and Prospects of Ireland* (ed.?).
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